May 23, 2014

ANNUAL REPORT OF CODERE, S.A.

PURSUANT TO (i) SECTION 4.19(a)(i) OF THE EURO NOTES INDENTURE DATED JUNE 24, 2005, AS AMENDED AND SUPPLEMENTED FROM TIME TO TIME (THE "EURO NOTES INDENTURE"), AMONG CODERE FINANCE (LUXEMBOURG) S.A. (THE "ISSUER"), THE GUARANTORS (AS DEFINED THEREIN), DEUTSCHE BANK TRUST COMPANY AMERICAS, AS TRUSTEE (THE "EURO NOTES TRUSTEE") AND THE OTHER PARTIES LISTED THEREIN, GOVERNING THE ISSUER'S 8 ¼% SENIOR EURO NOTES DUE 2015 AND (ii) SECTION 4.19(a)(i) OF THEDOLLAR NOTES INDENTURE DATED FEBRUARY 8, 2012, AS SUPPLEMENTED ON JUNE 29, 2012, AMONG THE ISSUER, THE GUARANTORS (AS DEFINED THEREIN), DEUTSCHE BANK TRUST COMPANY AMERICAS, AS TRUSTEE (THE "DOLLAR NOTES TRUSTEE") AND THE OTHER PARTIES LISTED THEREIN, GOVERNING THE ISSUER'S 9 ¼% SENIOR DOLLAR NOTES DUE 2019 (THE "REPORT").

On our behalf, the Euro Notes Trustee and the Dollar Notes Trustee are providing you with a copy of the Report in satisfaction of our obligation under Section 4.19(a)(i) of each of the Euro Notes Indenture and the Dollar Notes Indenture to provide to holders of the Euro Notes (as defined in the Euro Notes Indenture) and the Dollar Notes (as defined in the Dollar Notes Indenture) (the Euro Notes together with the Dollar Notes, the "Notes") certain information regarding Codere, S.A. and its subsidiaries (the "Codere Group"), including but not limited to the audited consolidated financial statements of the Codere Group.

This document does not constitute an offer or invitation to purchase or form part of an offer or invitation to purchase any securities, and neither this document nor anything contained herein shall form the basis of any contract or commitment whatsoever. The Notes and the related guarantees referred to herein have not been and will not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or the securities laws of any state of the United States and may not be offered or sold in the United States unless registered under the Securities Act or an exemption from the registration requirements of the Securities Act is available.

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USE OF CERTAIN DEFINITIONS

As used in this Report, unless otherwise indicated, all references to:

- "AAMS" are to the *Amministrazione Autonoma dei Monopoli di Stato*, the Italian betting and gaming authority;
- "AAMS PREU payments" are to the estimate of gaming taxes owed by concessionaires based on the amounts spent by customers on slot machines;
- "Argentine peso" or "AR$" are to the lawful currency of the Republic of Argentina;
- "AWP machines" or "AWPs" are to amusement with prize machines, which pay out cash prizes as a percentage of total wagers over a pre-determined cycle of games, and are permitted in Spain (as "Type-B machines") and in Italy (as "Comma 6" or "Comma 6A" machines) to be placed in bars, cafés, arcades and bingo halls;
- "Brazilian real" are to the lawful currency of Brazil• "CAGR" are to compound annual growth rate;
- "Caliente Holdcos" are to Grupo Caliente, S.A.P.I. de C.V., Jomaharho, S.A.P.I. de C.V. and Grupo Inverjuego, S.A.P.I. de C.V., each a holding company of certain of the Legacy Caliente companies;
- "CdC" are to the Italian *Corte dei Conti*, a constitutional body in Italy charged with supervising and auditing the management and accounts of the public administration (including the exercise of certain jurisdictional activities relating thereto);
- "CIE" are to Corporación Interamericana de Entretenimiento, S.A.B. de C.V.;
- "Codere América" are to Codere América, S.A.U.;
- "Codere Group", "Group" or "Codere" are to Codere, S.A. and its subsidiaries; "we", "us" or "our" are also to Codere, S.A. and its subsidiaries unless the context otherwise requires such reference to be to Codere, S.A. or to the Issuer;
- "Codere Mexico" are to Codere Mexico S.A. de C.V.;
- "Codere Network" are to Rete Franco, S.p.A. which we acquired from Franco Distribución, S.A. on April 28, 2006 and renamed "Codere Network S.p.A." on September 7, 2006;
- "COFECO" are to the *Comisión Federal de Competencia*, the Mexican competition authority;
- "Colombian peso" or "COP$" are to the lawful currency of Colombia;
- "Consolidated Financial Statements" are to the audited consolidated annual accounts of Codere, S.A. and its subsidiaries as of and for the year ended December 31, 2013 including comparative financial information for the year ended December 31, 2012, prepared in accordance with IFRS and included in this Report;
- "CTH" are to Complejos Turísticos de Huatulco;
- "Dalla Pria" are to DP Service, S.r.l;
- "Dollar Notes" are to U.S. $300,000,000 aggregate principal amount of 9.250% senior notes due 2019 issued by Codere Finance (Luxembourg) S.A. on February 8, 2012;
- "Dollar Notes Indenture" are to the indenture governing the Dollar Notes dated as of February 8, 2012, as supplemented on June 29, 2012, among the Issuer, the Guarantors (as defined therein), Deutsche Bank Trust Company Americas as trustee, and the other parties listed therein;
- "Dollar Notes Trustee" is to Deutsche Bank Trust Company Americas;

- “Dollars”, “U.S. dollars”, “U.S. $” or “$” are to the lawful currency of the United States of America;
- “EBITDA” (earnings before interest, tax, depreciation and amortization) are to operating profit plus depreciation and amortization plus variation in provisions for trade transactions plus impairment losses less gains or losses on asset disposals or acquisitions;
- “EBT” are to Electronic Bingo Terminals, which are similar to U.S. Class II machines;
- “EU” or “European Union” are to the European Union as constituted on April 30, 2004, specifically comprising the countries of Austria, Belgium, Denmark, France, Finland, Germany, Greece, Ireland, Italy, Luxemburg, the Netherlands, Portugal, Spain, Sweden and the United Kingdom, but not including any country which becomes a member of the European Union after April 30, 2004;
- “Euro” or “€” are to the lawful currency of the Member States of the European Monetary Union;
- “Euro Notes” are to the €760,000,000 aggregate principal amount of $8^1/_4$% senior notes due 2015 issued by Codere Finance (Luxembourg) S.A. on June 24, 2005, April 19, 2006, November 7, 2006 and July 29, 2010 under the Euro Notes Indenture;
- “Euro Notes Indenture” are to the indenture governing the Euro Notes dated June 24, 2005, as supplemented on February 10, 2006, February 27, 2006, May 17, 2007, July 17, 2007, April 24, 2009, June 25, 2009, March 22, 2011, December 21, 2011 and January 18, 2012, as further supplemented or amended from time to time, among the Issuer, the Guarantors (as defined therein), Deutsche Bank Trust Company Americas, as trustee, and the other parties listed therein;
- “Euro Notes Trustee” are to Deutsche Bank Trust Company Americas;
- “Free cash flow” are to EBITDA less net financial income (loss) excluding exchange gains (losses) less corporate income tax and less total capital expenditures;
- “Gap Games” are to Gap Games, S.r.l.;
- “Gaming halls” are to venues, including bingo halls with machines, casinos, machine halls at racetracks and stand-alone machine halls that have a number of different gaming devices offering various types of games, the number of which varies from country to country;
- “Gaming machines” are to traditional reel spinning slots, machines with video screens and progressive jackpot machines, which include the Type-B machines operated in Spain, the Comma 6, Comma 6A and VLTs operated in Italy, the EBTs operated in Mexico and Spain and the slot machines operated in Argentina, Mexico, Panama, Colombia and Uruguay, which are similar to U.S. Class III Machines or electronic gaming machines that are specifically defined under U.S. federal law as Class III gambling devices and are typically permitted in U.S. casinos;
- “Gaming Re” are to Gaming Re, S.r.l.;
- “Grupo Caliente” are to Jorge Hank Rohn and the Mexican companies engaged in the gaming business, including Turística Akallí, S.A. de C.V. and Hípodromo de Agua Caliente, S.A. de C.V., in which Jorge Hank Rohn, directly or indirectly, holds a minority interest;
- “HRU” are to Hipica Rioplatense Uruguay;
- “IAS” are to the International Accounting Standards;
- “ICELA” are to Impulsora de Centros de Entretenimiento de Las Américas, S.A.P.I. de C.V.;
- “ICELA Acquisition” are to the acquisition of 35.8% of the outstanding ordinary shares of ICELA by Codere, S.A. (through its wholly owned subsidiary Codere Mexico, S.A. de C.V.) pursuant to the ICELA Acquisition Agreement;

- “ICELA Acquisition Agreement” are to the sale and purchase agreement dated January 25, 2012 between Codere, S.A., Codere Mexico, S.A. de C.V., CIE, ICELA and Administradora Mexicana de Hipódromo, S.A. de C.V. pursuant to which Codere, S.A. (through its wholly owned subsidiary Codere Mexico, S.A. de C.V.) purchased 35.8% of the outstanding ordinary shares of ICELA;
- “IFRS” are to International Financial Reporting Standards (formerly known as “International Accounting Standards”, or “IAS”) as endorsed by the European Union;
- “IGT” are to International Game Technology;
- “IPLyC” are to the Instituto Provincial de Lotería y Casinos de la Provincia de Buenos Aires, the gaming regulator of the Province of Buenos Aires;
- “IPO” are to the initial public offering of 10,780,469 shares of Codere, S.A. on October 19, 2007;
- “JCs” are to Jockey Clubs with a presence in Rio de Janeiro, Rio Grande do Sul and Paraná;
- “JC Agreements” are to exclusive agreements between Codere and JCs to jointly develop “any new form of gaming” permitted under the JCs’ licenses;
- “Joint Opcos” are to Operadora Cantabria, S.A. de C.V., Libros Foraneos, S.A. de C.V. and Operadora de Espectáculos Deportivos, S.A. de C.V., the licensees indirectly purchased from Grupo Caliente and others in March 2011;
- “Legacy Caliente” are to the Caliente Holdcos, the Joint Opcos, Promojuegos and Mio Games;
- “Mexican peso” or “Mex. Ps.” are to the lawful currency of Mexico;
- “Mio Games” are to Mio Games S.A. de C.V.;
- “Net win” is to amounts wagered minus prizes paid in the gaming products which we offer (machines, bingo, sports betting and betting on horseraces);
- “Notes” are to the Dollar Notes together with the Euro Notes;
- “Operadora de Espectáculos Deportivos” are to Operadora de Espectáculos Deportivos, S.A. de C.V.;
- “Operating Cash Flow” are to EBITDA less net interest and taxes from the income statement;
- “Original CIE Joint Venture” are to the joint venture entered into between Codere and CIE in March 1999;
- “Panamanian balboa” are to the lawful currency of Panama, which are equivalent in value to the U.S. dollar;
- “Parent Guarantor” or “Codere, S.A.” are to Codere, S.A., the parent company of the Codere Group;
- “Promojuegos” are to Promojuegos de Mexico, S.A. de C.V.;
- “Recreativos Marina” are to Recreativos Marina S.A. de C.V.;
- “SAT” are to the Servicio de Administracion Tributaria;
- “SATASB” are to SAT’s Administrative Supervisory Body;

- “Senior Credit Facility” are to (i) a €95.0 million senior revolving credit facility, (ii) a €19.9 million (as of March 31, 2014) letter of credit facility pursuant to a senior facilities agreement, dated October 19, 2007, as amended and restated and as further amended from time to time, among, Codere, S.A. and certain of its subsidiaries as subsidiary guarantors, and Silver Point Finance LLC as Agent and GSO; Canyon, Monarch and FBC. as mandated lead arrangers, Houston Casualty Company Europe, Seguros y Reaseguros, S.A.U., as surety bond provider, and Deutsche Trust Company Limited, as security trustee;

- “SLI Group” are to the Sociedad Latinoamericana de Inversiones Group;

- “Slot machines” are to gaming devices into which a player inserts a form of currency and, based on a set of probability variables, the player either loses the wager or is awarded a prize;

- “TAR Lazio” are to the Lazio Regional Administrative Court;

- “Thunderbird” are to International Thunderbird Gaming (Panama) Corp.;

- “VLT machines” or “VLTs” are to video lottery terminals, which are prize machines that pay out cash prizes as a percentage of total wagers over a random statistical process, and are permitted in Italy (as Comma 6B machines) to be placed only in gaming halls, bingo halls and betting shops. The main difference between VLT machines and AWP machines is that the VLT machines are connected to a central system that provides the machine with a winning number based on a lottery system that makes the machine more random, while AWP machines are stand-alone machines that give prizes depending on a pre-determined cycle of games; and

- “William Hill” are to William Hill plc.

PRESENTATION OF FINANCIAL AND OTHER DATA

Unless otherwise indicated, historical financial information in this Report has been prepared in accordance with IFRS. IFRS differs in certain significant respects from U.S. GAAP. Any discrepancies in any table between totals and the sums of the amounts listed are due to rounding.

Except as otherwise indicated, the financial information and financial statements included in this Report are presented in euro. The euro is the common legal currency of the Member States participating in the third stage of the European Economic and Monetary Union, including Spain.

We define "EBITDA" as operating profit plus depreciation and amortization plus variation in provisions for trade transactions plus impairment losses less the gains or losses on asset disposals or acquisitions. EBITDA and EBITDA margin (which we calculate as EBITDA divided by operating revenue) presented in this Report are supplemental measures of our performance and liquidity that are not required by, or presented in accordance with, IFRS. Furthermore, EBITDA and EBITDA margin should not be considered in isolation and are not measurements of our financial performance or liquidity under IFRS and should not be considered as an alternative to profit or loss for the period or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating, investing or financing activities as a measure of our liquidity as derived in accordance with IFRS. These non-GAAP financial measures do not necessarily indicate whether cash flow will be sufficient or available for cash requirements and may not be indicative of our results of operations. In addition, such measures as we define them may not be comparable to other similarly titled measures used by other companies.

Unless otherwise indicated, references to the amount of total debt outstanding as of any particular date in this Report are references to the amount of such debt recorded on our consolidated balance sheet. Such amount will be less than the nominal amount of our consolidated debt prior to the maturity date because, under IFRS, consolidated long-term debt on the balance sheet is recorded at amortized cost, using the effective interest rate method.

FORWARD LOOKING STATEMENTS

This Report includes forward looking statements that reflect our intentions, beliefs or current expectations and projections about our future results of operations, financial condition, liquidity, operating performance for 2013, and thereafter, prospects, anticipated growth, strategies, opportunities and the industry in which we operate. Forward looking statements involve all matters that are not historical fact. Forward looking statements may be found in sections of this Report entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, “Business” and elsewhere.

These forward looking statements are subject to risks, uncertainties and assumptions and other factors that could cause our actual results of operations, financial condition, liquidity, performance, prospects or opportunities, as well as those of the markets we serve or intend to serve, to differ materially from those expressed in, or suggested by, these forward looking statements. Factors that could cause or contribute to such differences include, without limitation, those discussed in the section entitled “Business” and elsewhere in this Report. You should not place undue reliance on such forward looking statements, which speak only as of the date of this Report. We expressly disclaim any obligation or undertaking to release publicly any updates or revisions to any forward looking statement contained in this Report which may be made to reflect events or circumstances after the date of this Report, including, without limitation, changes in our business or acquisition strategy or planned capital expenditures, or to reflect the occurrence of unanticipated events except as required by law.

SELECTED FINANCIAL INFORMATION AND OTHER DATA

Our Selected Consolidated Financial Information and Other Data

The selected audited consolidated financial information as of and for the years ended December 31, 2012 and 2013 presented below has been derived from our audited consolidated financial statements as of and for the years ended December 31, 2012 and 2013. The audited consolidated financial statements as of and for the years ended December 31, 2012 and 2013 have been prepared in accordance with IFRS and audited by PricewaterhouseCoopers Auditores, S.L., our independent auditors.

	Year ended December 31,	
	2012	2013
	(audited) (€ in millions)	
Income statement data:		
Operating revenue	1,663.9	1,546.7
Operating expenses:		
Consumption and other external expenses	54.4	52.5
Personnel expenses [1]	368.3	365.2
Depreciation	115.9	110.7
Amortization of intangible assets	38.9	42.0
Variation in provisions for trade transactions	1.8	2.1
Impairment loss [9]	75.2	57.3
Other operating expenses [2] [3]:	953.9	922.9
Gaming and other taxes [3]	538.5	514.1
Machine rental costs	54.0	44.0
Other rentals	73.5	76.1
Other [2]	287.9	288.7
Total operating expenses [2] [3]	1,608.4	1,552.7
Gains (losses) on asset disposals or acquisitions [3]	7.2	(6.5)
Operating profit [3]	62.7	(12.5)
Financial items:		
Financial income	7.6	5.1
Financial expenses	115.0	141.3
Gains or losses on financial assets [4]	(51.4)	(0.8)
Exchange gains (losses), net	0.4	(10.1)
Profit before tax of continuing activities [3]	(95.7)	(159.6)
Corporate income tax	73.0	45.6
Profit after tax of continuing activities [3]	(168.7)	(205.2)
Consolidated net income [3]	(168.7)	(205.2)
Non-controlling interests [3]	(21.8)	(31.6)
Net income (loss) attributable to owners of the parent [3]	(146.9)	(173.6)

	Year ended December 31,	
	2012	2013
	(audited) (€ in millions)	
Balance sheet data:		
Cash and cash equivalents [5]	84.8	102.6
Working capital [3] [6]	(158.0)	(158.0)
Total assets [3]	1,955.5	1,673.1
Total debt [7]	1,174.3	1,246.1
Equity attributable to owners of the parent [3]	(14.7)	(260.4)
Non-controlling interests[3]	95.7	56.9

	Year ended December 31,	
	2012	2013
	(audited) (€ in millions)	
Cash flow data:		
Net cash flow provided by operating activities	209.0	168.0
Net cash flow used in investing activities[3]	(448.5)	(76.3)
Net cash flow provided by financing activities[3]	190.0	(64.9)
Net increase (decrease) in cash	(50.9)	17.8

	Year ended December 31,	
	2012	2013
	(€ in millions)	
Other financial data:		
EBITDA[3] [8]	287.3	206.1

The reconciliation of EBITDA to operating profit is as follows:

	Year ended December 31,	
	2012	2013
	(unaudited) (€ in millions)	
EBITDA[3]	287.3	206.1
- Depreciation and amortization	154.8	152.7
- Variation in provisions for trade transactions	1.8	2.1
- Impairment loss[9]	75.2	57.3
+ Gains (losses) on asset disposals or acquisitions[3]	7.2	(6.5)
Operating profit[3]	62.7	(12.5)

(1) It includes personnel costs related to outsourced employees.
(2) It excludes personnel costs related to outsourced employees.
(3) P&L, Balance and Cash Flow December 2012, were restated as a result of Restatement of 2012 Consolidated Accounts.
(4) In Q2 2012, we changed the way in which we report losses associated with transactions in Argentine bonds. Since Q2 2012, these were reported as Gains or Losses on Financial Assets, rather than as Exchange Gains (Losses), net.
(5) Cash and cash equivalents consists of cash at banks, cash on hand and short-term deposits with an original maturity of three months or less, which are not subject to significant fluctuations.
(6) We define working capital as current assets (excluding cash and cash equivalents) less current liabilities (excluding payables to credit entities and bonds and other marketable securities).
(7) We define total debt as non-current and current issued senior notes, plus non-current and current debt owed to finance entities.
(8) We define EBITDA as operating profit plus depreciation and amortization plus variation in provisions for trade transactions plus impairment losses less gains or losses on asset disposals or acquisitions. EBITDA is not a measurement required by, or presented in accordance with, IFRS. EBITDA should not be considered in isolation and is not a measurement of our financial performance or liquidity under IFRS and should not be considered as an alternative to operating profit or loss for the period or any other performance measures derived in accordance with IFRS or as an alternative to cash flow from operating, investing or financing activities as a measure of our liquidity as derived in accordance with IFRS. EBITDA does not necessarily indicate whether cash flow will be sufficient or available for cash requirements and may not be indicative of our results of operations. In addition, EBITDA as we define it may not be comparable to other similarly titled measures used by other companies.
(9) Impairment charge was (€75.2 million) in Spain in 2012 and (€57.3 million) in 2013: (€24.3 million) in Mexico, (€16.0 million) in Italy, (€13.4 million) in Carrasco Hotel and Casino and (€3.6 million) in the online business in Spain.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the information set forth in "Selected Financial Information and Other Data" and our Consolidated Financial Statements and accompanying notes included elsewhere in this Report.

The following discussion contains certain forward looking statements that involve risks and uncertainties. Our future results could differ materially from those discussed below. Factors that could cause or contribute to such differences include, without limitation, those discussed in the section entitled "Business" and elsewhere in this Report.

Overview

We are a leading gaming company engaged in the management of gaming machines, machine halls, bingo halls, horse racing tracks, casinos and sports betting locations in Latin America, Italy and Spain. As of December 31, 2013, we managed 54,010 gaming machines, 179 gaming halls (including machine halls, bingo halls with machines, machine halls at racetracks and casinos), 1,568 sport betting locations and four horse racing tracks. In 2013, we generated operating revenue of €1,546.7 million and EBITDA of €206.1 million.

In Argentina, we believe we are the largest operator of gaming halls in the Province of Buenos Aires with 14 gaming halls in which we operated 6,282 slots and other gaming machine seats and 11,405 bingo seats as of December 31, 2013. In 2013, our business in Argentina generated operating revenue of €584.7 million and EBITDA of €110.8 million.

In Mexico, through ICELA and Legacy Caliente, as of December 31, 2013, we were the largest operator of gaming sites with 82 gaming halls in which we operated 16,970 gaming machine seats (these figures exclude seven gaming halls that are currently closed, see "Factors Affecting the Comparability of Our Results of Operations"). As of December 31, 2013, we also operated 73 sports betting locations, and, through ICELA, we operated a 52 hectare gaming complex in Mexico City that included the Las Americas racetrack, an amusement park and the largest convention center in Mexico. As of December 31, 2013 we held licenses to build and operate an additional 53 gaming halls. In 2013, our business in Mexico generated operating revenue of €382.4 million and EBITDA of €78.6 million.

In Italy, we believe we are one of the leading gaming hall operators with 13 gaming halls as of December 31, 2013 in which we operate VLT and AWP machines and offer bingo. We also operate AWP machines in non-specialized locations, such as bars. As of December 31, 2013, we operated 7,181 AWPs, 1,193 VLTs and 5,775 bingo seats, and 16,571 gaming machines (which include the ones operated by us and by other operators) were connected to our network in Italy. In 2013, our business in Italy generated operating revenue of €259.7 million and EBITDA of €21.4 million.

In Spain, we believe we are the second largest operator of AWP machines with 11,070 machines located in over 7,775 bars, restaurants, machine halls and one gaming hall as of December 31, 2013. The gaming hall we operate is the Canoe gaming hall in Madrid, which features a bingo venue, AWPs and sports betting services. In total, we operated 1,395 sports betting locations in Spain as of December 31, 2013. In 2013, our business in Spain generated operating revenue of €151.6 million and EBITDA of €17.0 million.

Our Other Operations, which generated operating revenue of €168.3 million and EBITDA of €16.2 million in 2013, include (i) 12 gaming halls (including 11 casinos and a machine hall at the racetrack), one racetrack and 66 sports betting locations in Panama, (ii) 51 gaming halls, including five casinos, in Colombia, (iii) two joint ventures in two horse racing tracks, six gaming halls (including Casino Carrasco) and 27 sports betting locations in Uruguay and (iv) seven sports betting locations in Brazil.

In 2013 we launched our Mexican online gaming site under the name Greenplay. We had licensed online business in Spain with no significant revenue and we have discontinued our online operation in Italy.

Presentation of Financial Information

The financial statements contained in this Report include our audited consolidated financial statements as of and for the year ended December 31, 2013, including comparative financial information for the year ended December 31, 2012 prepared in accordance with IFRS (the "Consolidated Financial Statements").

Segment Reporting

In the discussion below we review our results of operations on a consolidated basis and on the basis of our four principal businesses: Argentina, Mexico, Italy and Spain. We also have operations in Colombia, Uruguay, Panama and Brazil, which are of a smaller scale. A limited discussion of these operations has been included below under the heading Other Operations. Internet gaming operations, which we are developing in certain countries in which we operate, are included in the corresponding businesses.

In 2013, our four principal businesses comprised 37.8%, 24.7%, 16.8% and 9.8%, respectively, of our consolidated operating revenue and 45.4.%, 32.2%, 8.8% and 7.0%, respectively, of our consolidated EBITDA (excluding, in each case, headquarters revenues and expenses). Our operations discussed under Other Operations comprised 10.9% of our consolidated operating revenue and 6.6% of our consolidated EBITDA (excluding, in each case, headquarters revenues and expenses) in 2013. The organization of our operations into our four principal businesses reflects the manner in which our management evaluates the performance of our various businesses and, on the basis of such information, makes financial and strategic decisions regarding our operations. We believe that the organization of our operations into the foregoing businesses also enhances our ability to adapt to the different markets and regulatory environments of the countries in which we conduct our operations.

Our Group headquarters in Spain provide central corporate services including information technology, accounting, finance, tax, legal and strategic support to our four principal businesses and all of our Other Operations. We do not allocate most of the expenses associated with such services to the four principal businesses or Other Operations receiving such services and therefore the operating profit and EBITDA for our four principal businesses and Other Operations described below may not include headquarters expenses corresponding to the four principal businesses and Other Operations.

Factors Affecting the Comparability of Our Results of Operations

As a result of the factors discussed below, our operating results for certain of the financial periods discussed in this Report are not directly comparable with the operating results for other financial periods discussed herein and may not be directly comparable with our operating results for future financial periods.

Latin American Currency Depreciation

We are exposed to foreign exchange rate risk in that our reporting currency is the euro, whereas the majority of our subsidiaries keep their accounts in other currencies, principally Argentine peso and Mexican peso and also Panamanian balboa (equivalent to the U.S. dollar), Colombian peso, Uruguayan peso and Brazilian real, and a portion of our costs and revenues are referenced to U.S. dollars. If we continue to expand our operations in Latin America, we will increase the proportion of our operating revenue that we generate in currencies other than the euro. In 2013, 37.8% and 24.7% of our operating revenue (including the gains and losses on foreign exchange currency contracts and excluding in each case headquarters revenues) was denominated in Argentine peso and Mexican peso, respectively, and a total of 73.4% of our operating revenue was in non-euro denominated currencies. During the periods under review, Latin American currencies, in particular the Argentine peso, have generally depreciated against the euro and this has had a significant impact on our financial condition and results of operations when expressed in euro. As a result of the Latin American currencies depreciating against the euro, the euro value of the operating results of our Latin American subsidiaries upon inclusion in our Consolidated Financial Statements has decreased even if, in local currency terms, their results of operations and financial condition have remained the same or improved relative to the prior year. Accordingly, declining exchange rates may limit the ability of our results of operations, stated in euro, to fully describe the performance in local currency terms of our Latin American subsidiaries. Our Latin American subsidiaries generally generate revenues and incur expenses and liabilities in their local currency, which provides them with a natural hedge against foreign currency fluctuations.

The assets and liabilities of our subsidiaries, which keep their accounts in currencies other than the euro, have been translated to euro at the period-end exchange rates for inclusion in our balance sheet. Income statement items are translated into euro at the end of each month and these monthly results in euro are added to produce quarterly or annual results, as applicable.

The table below sets forth the period end exchange rates of the euro relative to the Mexican peso, the Argentine peso and the U.S. dollar for the periods indicated.

	Year ended December 31,		
	2012	**2013**	**2012/2013 % change**
Mexican peso/euro (€1.00 = Mex. Ps.)			
Period end	17.14	18.02	*5.1%*
Argentine peso/euro (€1.00 = Arg. Ps)			
Period end	6.50	9.01	*38.6%*
U.S. dollar/euro (€1.00 = U.S.$)			
Period end	1.32	1.38	*4.5%*

Source: Mexico's Tax Administration Service (*Servicio Administración Tributaria del Gobierno de Mexico*), Bank of the Argentine Nation (*Banco de la Nación Argentina*) and European Central Bank.

The table below sets forth the average of the monthly average exchange rate of the euro to the Mexican peso, the Argentine peso and the U.S. dollar for the periods indicated.

	Year ended December 31,		
	2012	**2013**	**2012/2013 % change**
Mexican peso/euro (€1.00 = Mex. Ps.)			
Average	16.93	17.00	*0.4%*
Argentine peso/euro (€1.00 = Arg. Ps)			
Average	5.87	7.32	*24.7%*
U.S. dollar/euro (€1.00 = U.S.$)			
Average	1.29	1.33	*3.1%*

Source: Mexico's Tax Administration Service (*Servicio Administración Tributaria del Gobierno de Mexico*), Bank of the Argentine Nation (*Banco de la Nación Argentina*) and European Central Bank.

The table below sets forth the period end exchange rates of the U.S. dollar relative to the Mexican peso and the Argentine peso for the periods indicated.

	Year ended December 31,		
	2012	**2013**	**2012/2013 % change**
Mexican peso/U.S.dollar (U.S.1.00 = Mex. Ps.)			
Period end	*12.99*	*13.07*	*0.6%*
Argentine peso/ U.S. dollar (U.S.1.00 = Arg. Ps)			
Period end	*4.92*	*6.52*	*32.5%*

Source: Mexico's Tax Administration Service (Servicio Administración Tributaria del Gobierno de Mexico) and Bank of the Argentine Nation (Banco de la Nación Argentina).

The table below sets forth the average of the monthly average exchange rate of the U.S. dollar to the Mexican peso and the Argentine peso for the periods indicated.

	Year ended December 31,		
	2012	**2013**	**2012/2013 % change**
Mexican peso/U.S.dollar (U.S.$1.00 = Mex. Ps.)			
Average	13.16	12.78	(2.9)%
Argentine peso/U.S.dollar (U.S.$1.00 = Arg. Ps.)			
Average	4.56	5.49	20.4%

Source: Mexico's Tax Administration Service (*Servicio Administración Tributaria del Gobierno de Mexico*) and Bank of the Argentine Nation (*Banco de la Nación Argentina*).

As of March 31, 2014, the exchange rate of the euro to the Mexican peso was €1.00 = 18.04Mex. Ps., the exchange rate of the euro to the Argentine peso was €1.00 = 11.03AR$ and the exchange rate of the euro to the U.S.$ was €1.00 = 1.38U.S.$. As of March 31, 2014, the exchange rate of the U.S. dollar to the Mexican peso was U.S.$1.00 = 13.08Mex. Ps. and the exchange rate of the U.S. dollar to the Argentine peso was U.S.$1.00 = 8.00AR$.

In 2012, we entered into hedge agreements to mitigate part of the foreign exchange risk. Our Argentine peso foreign exchange forward contract that matured during 2012 amounted to a net loss of €3.8 million in 2012. The realized losses have been recorded as other operating revenue in our Argentine business. We have not entered into new contracts since December 2012.

Restated Consolidated results for the year 2012

2012 Results were restated due to an accounting error consisting in the elimination of the goodwill of 49% of ICELA, charged to Reserves rather than Profit and Losses (net income reduction in €29.3 million), and for an accounting error consisting in the reclassification between Exchange Differences and Consolidation Reserves amounting to €21.7 million. This reformulation was accompanied by two other changes due to subsequent events as defined by IFRS 10: the Tax Regularization in Mexico (€17.9 million decrease in EBITDA), and the final liquidation of the licenses in Argentina (€19.1 million increase in CAPEX).

Regularization of taxes in Mexico

Due to the interpretation of the position of the Mexican Tax Authorities (SAT) with respect to Federal gaming taxes (IEPS), our Mexican subsidiaries registered in May and June of 2013 the fiscal impact of the regularization of their situation for 2009 to 2012 to adapt to our interpretation of their position. Additionally, according to the terms and condition for the purchase of the 35.8% stake of ICELA, CIE must compensate Codere in case any tax liabilities associated to the periods previous to the purchase of the 35.8% stake may arise (February 2012). As a result of the tax adjustments described, CIE paid €2.8 million compensation to Codere. The impact of the tax regularization for 2009 to 2012 was included in the restated 2012 Consolidated Annual Accounts published by the company in June 2013 according to IFRS 10 which requires to register in the year 2012, all the events that in spite of occurring post 31 December 2012, occur before the restatement of the consolidated annual accounts for 2012. This impact registered on December 31, 2012 represents an increase in expenses of MX$ 302million (€17.9 million), net of the compensation received by CIE. The impact in 2013 is €8.5 million, including tax to pay and advisory fees.

ICELA Transaction

On February 8, 2012 we completed the purchase of a 35.8% stake in ICELA from CIE. The purchase price was Mex. Ps. 2,653 million (equivalent to approximately €158 million as of February 8, 2012). The acquisition of the 35.8% stake was in addition to our 49% stake already held in ICELA. Until January 31, 2012, we consolidated our stake in ICELA under the proportional method. Beginning February 1, 2012 we began to consolidate ICELA under the global method of consolidation.

Gain on Revaluation of Our 49% Stake in ICELA

Upon the acquisition of a controlling stake in ICELA, we valued our pre-existing 49% stake in ICELA at fair market value, as required under IFRS, which resulted in €9.5 million recorded under gains and (losses) on asset disposals or acquisitions on the income statement. The €9.5 million is the result of the €36 million difference between the fair value and book value recorded at the time of the acquisition, minus €26.5 million in losses on foreign currency associated with these assets through February 8, 2012, which are required to be reclassified from the balance sheet to the income statement.

Argentine License Renewals

On November 29, 2012, the five gaming licenses for the halls that Codere operates in the Province of Buenos Aires, the original terms of which would have expired in 2013 and 2015, were renewed for 15 years from their original expiry date following the signing of individual agreements for each of these halls with the Instituto Provincial de Lotería y Casinos de la Provincia de Buenos Aires, or "IPLyC" (the gaming regulator of the Province of Buenos Aires).

The table below provides for each hall, the resolution pursuant to which the relevant gaming license was granted and its expiry date:

Hall	Individual Resolution	Expiry Date
Morón	1788/12	June 11, 2028
Ramos Mejía	1789/12	April 9, 2029
San Miguel	1787/12	May 1, 2029
Lomas del Mirador	1785/12	September 30, 2029
San Justo	1786/12	October 14, 2029

As stipulated under Resolution 1078/12 and Decree 569/12 published in July 2012, the renewal of the five gaming licenses was subject to a fixed renewal fee of AR$614 million (equivalent to approximately €107 million as of August 29, 2012), for all five halls, which we began paying in August 2012 and finished paying in January 2013, and an AR$232 million (equivalent to approximately €40 million as of August 29, 2012) canon tax surcharge payable monthly over five years, beginning in September 2012. In May 2013 we have renewed the Temperley license to January 2031.

Following these renewals, out of the 14 halls we operate in the Province of Buenos Aires, four have licenses which expire in 2021, two have a license which expires in 2022, two have licenses which expire in 2024, one has a license which expires in 2028, four have licenses which expire in 2029 and one has a license which expires in 2031. The latter refers to Temperley, the smallest of our halls in the Province.

Opening of Sofitel Montevideo Casino Carrasco and Spa

On March 7, 2013, we opened a casino and resort in the city of Montevideo. The "Sofitel Montevideo Casino Carrasco and Spa" has 116 rooms, 395 gaming machines and 24 tables. The complex is a project of the Carrasco Nobile consortium, of which we own 51% in a joint venture with Sikeston S.A., the Uruguayan vehicle of an international investor group. The opening of the Carrasco complex suffered delays and substantial overruns. Furthermore, the early results have been disappointing with lower revenue than expected and large operating losses. While we are taking measures to reduce losses, we believe that the long-term success of the business depends on our ability to attract high value clients from overseas. In addition to marketing efforts, this will require managing the availability of credit to clients, an activity in which we have no significant previous experience.

Agreement with CIE regarding the Convention Center in Mexico

In 2013 entered into an agreement with CIE for CIE to operate the convention center we own through ICELA, known as Banamex, for six years starting on June 1, 2013. Pursuant to this agreement, CIE pays us an annual fee of Mex. Ps. 113 million divided in proportional monthly payments, plus 25% of the difference between actual revenue obtained during the year and a revenue threshold set forth in the agreement.

Write offs in Legacy Caliente Business

As part of the agreements signed at the time of the Caliente restructuring (including the management services agreement and the revolving credit facility agreement granted by Codere Mexico to the Joint Opcos), €29.6 million remained on our balance sheet as debt from the Caliente Group, which was to be repaid from dividends attributable to Grupo Caliente's 32.7% stake in the Joint Opcos. In the second quarter of 2012, we wrote-off this €29.6 million because the assessed net present value of the dividends is very low compared to the amount of the outstanding debt, principally due to the fact that the Joint Opcos must first satisfy the payments due under the management services agreement and service the credit facility loan granted by Codere Mexico. In 2012, we also wrote-off €11.5 million associated with the put option we had on 7.3% of the shares in the Joint Opcos.

Impairment charges

In Q4 2013 the Group has taken impairment losses in the Italian, Uruguayan and online Spanish businesses amounting to €16.0 million, €13.4 million and €3.6 million respectively, (€33.0 million in total). These impairment losses are principally attributable to: the increase in taxes and the decline of the net win per machine per day as a result of the macroeconomic conditions in Italy; the delay in the opening of Casino Carrasco as well as the slow growth of gaming revenues; and to the regulatory context in the Internet business in Spain which resulted in a competitive disadvantage. These charges impaired the goodwill of the Italian operations, and reduced fixed assets in Carrasco and online Spanish businesses.

In Mexico, the goodwill of the Mexican operations was impaired by €24.3 million following a test for impairment. This charge (€24.3 million) was triggered by the temporary closure of halls, the increase in the weighted average cost of capital (WACC) and the impact of the tax regularization.

In 2012 we recorded a goodwill impairment charge of €75.2 million in our Spain business as a result of a goodwill impairment test conducted in relation to the 2012 financial statements.

The impairment loss is a non-cash charge to operating earnings, and does not affect the company's liquidity, operating cash flow, or debt service capacity.

Tax Provisions in Mexico

In 2012, we took charges against contingent tax liabilities for five claims in Mexico in an amount of Mex. Ps. 75.6 million (equivalent to approximately €4.8 million at March 31, 2013), of which, Mex. Ps. 41.8 million (equivalent to approximately €2.6 million at March 31, 2013) are reflected in other expenses, and Mex. Ps. 33.8 million (equivalent to approximately €2.1 million at March 31, 2013) in corporate income tax. See "Business—Litigation—Tax Contingencies—Mexican Tax Disputes". There have been additions due to new tax contingencies arising during the year in Mexico amounting to approximately €8.3 million and disposals due to the reversal of the amount of €6.9 million as a result of the lapsing of tax contingencies.

Tax Provision in Colombia

In the second half of 2009 the Company made a payment of approximately COP1,700 million (approx. €0.6 million at the current exchange rate) to the local tax authorities of Bogota (Colombia) in order to settle an existing tax claim concerning certain gaming taxes, under an assessment agreement. On May 12, 2010, the Constitutional Court of Colombia declared that the law under which Congress had authorized the ruling based on the payment of the amounts agreed with the local tax authorities was unconstitutional.

Without issuing any notification to Codere, the Colombian Council of State decided to reopen the legal proceedings, and on September 26, 2013 it issued a judgment against Codere Colombia S.A. In September 2013, the Colombian Council of State reopened the process and on December 19, 2013, Codere Colombia brought an extraordinary appeal for review with the Council of State requesting the annulment of the ruling against Codere Colombia. Based on the opinion of the Company's legal advisers, a provision has been recorded to cover this potential risk in the amount of COP4,300 million (equivalent to € 1.6 million at December 31, 2013).

Acquisitions

During 2013 we acquired Royal Jackpot for €150 thousand. During 2012, we acquired companies in Mexico and Italy. These acquisitions have affected the comparability of our results of operations. The table below shows our significant acquisitions during this period (for more information on acquisitions, see Note 6 to our Consolidated Financial Statements):

Company	**Date**	**Segment**	**Percentage stake**
ICELA[(1)]	February 2012	Mexico	35.8%
Dalla Pria Service, S.r.1...	June 2012	Italy	60.0%
Royal Jackpot..	March 2013	Italy	51.0%

(1) Before February 2012, we held a 49% stake in this company.

Corte dei Conti pending resolution

On November 11, 2013, the Italian Court of Auditors (Corte dei Conti) offered all network concessionaries the possibility to settle their longstanding dispute, by paying 30% of the amount of the claim. In the case of Codere Network such settlement would be €34.5 million (30% of the total €115 million). Six of the ten concessionaires agreed and paid 30% of their respective claims. During the Court hearing of January 2014, two concessionaries have asked for settlement, one of them presenting additional appeals. To the first one, the Corte dei Conti offered a 30% settlement (to be paid in March 2014), which the concessionaire declined. A new hearing for the four concessionaries (including Codere Network), has been set on July 9. Codere has the option to ask for settlement of 30% of the claim or to continue the legal process. The Group administrators, based on advice from its legal counsel believe that there are strong arguments to continue litigation. To address potential contingencies related to these processes, the Group has a provision of €12.4 million.

On April 2014, the Corte di Conti ordered, as preventive measure, the seizure of the deposit made by the concessionaries that have not asked for settlement for 2013 (0’5% of the 2013 bet: for Codere Network 9.777.987). This seizure has been appealed and it is pending its resolution.

Exceptional Items

In addition to the items mentioned above, in 2013 we have recorded non-recurring items amounting to €22.9 million mainly related to the process of financial restructuring costs and personnel restructuring costs.

In 2013 we have carried out a significant effort to reduce personal and non-personal costs and improve our margins and profitability. The reduction of headcount has mainly been done by no replacing vacancies as they are produced and could be amortized as a result of the reengineering and cost-saving projects that have been and are being deployed. As a result, headcount has been reduced by 3,745 employees (17%) from January 2013 to 17,892 employees at the end of December 2013. This reduction has been achieved with limited restructuring cost, €9.3 million, as most of it has been carried out taking advantage of the natural rate of rotation in the operational workforce (i.e. not replacing vacancies).

Also, during 2013 the company has incurred in expenses of €12.6 million related to the debt restructuring process. These costs would have been capitalized if an agreement had been reached before year end. Not being the case, such expenses had to be registered in the income statements.

In 2012 we recorded exceptional losses of €6.8 million associated with restructuring charges in Spain, Mexico, Argentina and Italy; €1.6 million associated with opening expenses of the Crown Casinos in Colombia; €1.5 million and €1.2 million in Italy related to the AWP renewal fee and the adjustment of the contingent payment for Gap Games; and €0.7 million associated with the ICELA transaction in Mexico. We recorded exceptional gains of €0.9 million related to the reversal of compensation provisions in Spain and €0.6 million associated with the adjustment of the contingent payment for Future Games in Italy.

Smoking Ban in Argentina

The Province of Buenos Aires passed a total smoking ban in 2009 but exempted venues larger than 400 square meters and, therefore, our halls were exempt. However, regional authorities have the right to implement stricter legislation than the provincial legislation. As such, the municipality of Mar del Plata, one of the municipalities in the Province of Buenos Aires where four of our halls are located, strengthened its partial smoking ban instituted in 2007 to a total smoking ban in April 2011. In July 2011, the National Congress of Argentina passed smoking legislation which bans smoking in all public areas. On October 1, 2012 the Province of Buenos Aires implemented a smoking ban which affected all of the halls which had been previously exempted from the total smoking ban implemented in the Province of Buenos Aires in 2009. The introduction of this smoking ban has negatively affected the net win per seat per day from the fourth quarter of 2012.

In 2013 we have included smoking clubs in some of our gaming halls in order to recover margins. These smoking clubs comply with provincial and municipal regulations, having the appropriate approvals.

Temporary closure of halls in Mexico in 2013

In ICELA, three of our halls remain closed by actions of local authorities: Cumbres and Valle Oriente since February 27 and Sendero since March 13. In Legacy Caliente, four halls have been closed (Tuxtla since January 30, and Jacales, Gonzalitos and Valle Oriente since February 27). The hall Zapopan, which was closed at the beginning of the year due to security reasons, was definitely closed in December. The company is taking all necessary steps towards the reopening of the gaming halls.

Non-payment of senior credit line

On 7 January 2014 (CNMV reference 198380), Codere S.A. and the entities involved in the Senior Facilities Agreement agreed to an amendment and extension to the contract, the main terms thereof being the following: (i) extension of the maturity of the Senior credit line until February 6, 2014, with an option for a further extension to April 15, 2014 subject to fulfillment of certain agreed conditions linked to the completion of a debt restructuring plan that is accepted by 50% of the Bondholders and that may be implemented before April 15, 2014. (ii) The amount of the renewed credit line will not change from the previous contract, remaining at €127.1 million. (iii) The payment of an inception fee of (A) 0.5% of the funds utilized from the Working Capital Loan and (B) 1% of the amounts utilized from Sureties and Guarantees (as defined in the Senior Facilities Agreement). If an extension to the initial term to April 15, 2014 takes place, an equivalent additional fee will be applied on the date of commencement of the extension. (iv) A mark-up of 1% per annum of the applicable interest rate. On February 6, 2014, due to the failure to achieve a debt restructuring plan by that date which was accepted by 50% of the Bondholders, the Senior Facilities Agreement expired and had not been repaid at the date of the present consolidated annual accounts. Default interest of the Euribor plus 12% is applicable as from the expiration date.

Coupon Maturity

On January 14, 2014, Codere, S.A. issued a Relevant Fact Statement to the effect that "as the grace period notified on December 12, 2013 has elapsed and on the basis of the Company's current circumstances and the negotiations under way, the decision has been taken not to provide Finance Luxembourg, S.A. with the necessary funds to pay the interest due on the bonds in euro maturing in 2015, and therefore the payment of said interest falling due on 15 January 2014 shall not take place". On March 18, 2014, Codere, S.A. issued a Relevant Fact statement to the effect that "as the grace period notified on February 14, 2014 has elapsed and on the basis of the Company's current circumstances and the negotiations under way, the decision has been taken not to provide Finance Luxembourg, S.A. with the necessary funds to pay the interest due on the bonds in dollars maturing in 2019, and therefore the payment of said interest falling due on March 19, 2014 shall not take place". These constitute default events which entitles the Bondholders to accelerate redemption of all bonds issued by the Group. At the date of these consolidated financial statements, the Company has not received any notification concerning the accelerated redemption of bonds by their owners.

Article 5.bis of the Spanish Insolvency Act

On January 2, 2014, the Company's Board of Directors agreed, in view of the analysis of its financial situation and short-term cash forecast, and in the face of the difficulties in meeting forthcoming debt maturities, to file the notification envisaged in Article 5.bis of the Spanish Insolvency Act with the Commercial Court of Madrid, and to continue negotiations with creditors to secure the refinancing of the Company's debt.

On February 7, 2014, the subsidiaries Codere America, S.A.U., Colonder, S.A.U., Nididem, S.L.U., Codere Internacional Dos, S.A.U. and Codere Internacional, S.L.U., filed the notification envisaged in Article 5.bis of the Spanish Insolvency Act with the Commercial Court of Madrid, in the same terms as Codere, S.A.

As stated in the Spanish Insolvency Act, once three months elapse as from the notification to the Court, the debtor, whether or not a refinancing agreement or out-of-court settlement has been achieved, or the requisite acceptances have been obtained for the admission of an early agreement proposal, must petition for a declaration of bankruptcy within the following month, unless the bankruptcy mediator had already petitioned for the same, or the debtor is no longer in a state of insolvency.

Current financial situation and feasibility of the Codere Group

The non-payments reported above mean that the Group is in a default situation and therefore all the bonds can be called in. The Group has not received any notification of any request for the acceleration of bond redemption by their holders. Neither has it received any notification regarding the initiation of proceedings by creditors to enforce the guarantees granted by the Group.

The management and directors of Codere, S.A. consider that the company is viable to the extent that it has generated and is expected to continue generating positive cash flows from its operating activities in the coming years. These flows have been undermined in recent quarters by the following events:

- Higher than expected expenses (both financial and advisory) as a result of financial restructuring
- Smoking ban in gaming arcades in Argentina
- Temporary closure of halls in Mexico
- Tax increases in Italy, Argentina, Panama and Mexico
- The profitability following the opening of Hotel Casino Carrasco in Uruguay has not been as initially expected and additional investments have been required

The budget for 2014 of the Codere Group continues to generate positive cash flows in most of its businesses, generating sufficient cash to meet the operational needs of Codere, S.A. and its new business opportunities. Nevertheless, Codere's management and the directors consider the future viability of the Group will depend on reaching an agreement on restructuring its debt with Bondholders that includes an agreement with the creditors of the Senior Facilities Agreement.

The Group is in the process of negotiating, supported by its legal and financial advisors, the different alternatives that could enable it to meet all its financial and contractual obligations in the most adequate manner possible. If an agreement is not reached within the deadlines established by Article 5.bis of the Insolvency Act, the Company (and the subsidiaries mentioned above) will be declared insolvent, as already explained.

On February 17, 2014 the Company issued a response addressed to the Bondholders' representatives in connection with the so-called "final offer" presented to Codere, S.A. on February 2. In that reply Codere states that cannot accept the proposal because it includes changes in the structure and ownership of share capital and should therefore be sent to the Company's shareholders for their appraisal. The response also mentions that in its current terms the offer contains certain items that render it unacceptable from a legal viewpoint. However, the Company has indicated its willingness to continue negotiating to reach an agreement, by 2 May 2014 if possible.

On April 30th the Company and its creditors agreed a standstill of 10 days to allow for further progress in the financial restructuring negotiations. On May 12th, May14th, May 21st and May 23th additional standstill agreements were signed, being the last one up to May 27th.

Due to the circumstances described above, the management and directors consider that there is significant uncertainty as to the Group's capacity to continue in business if the outcome of the above negotiations is not positive.

Key Factors Affecting Our Results of Operations

General Factors

Regulation

Our operations are highly regulated and many of the factors that affect our results of operations are prescribed by applicable regulation. These factors include the minimum payout ratio, such as in the case of gaming machines in many of the markets where we are present, gaming taxes, maximum wager, minimum average gaming time, and the number of gaming machines that we may install in bars, restaurants and our bingo halls. Furthermore, our operations are affected by regulations not specific to the gaming industry, such as the introduction of hall smoking ban regulation, and limitations to the hours of operations of the location in which we operate gaming activities. These factors are generally fixed by regulation and may be favorably or unfavorably modified only as a result of the legislative process in the applicable country, region or municipality. As a result of the highly regulated nature of the gaming industry, we are required to focus on the limited number of factors that are within our control to improve our results of operations.

In addition, our results of operations are dependent upon the granting and timely renewal of the necessary licenses by the gaming authorities in the countries in which we operate. Gaming authorities in such countries have the authority to deny, revoke, suspend or refuse to renew licenses we or our partners or clients hold and impose fines or seize assets if we or our partners or clients are found to be in violation of any of these regulations, any of which could have a material adverse effect on our business, financial condition and results of operations.

Macroeconomic Factors and Demographics

Gaming is a form of entertainment and, as such, competes with other forms of entertainment for the discretionary spending of the local population. In general, countries and regions with higher GDPs will tend to have higher levels of discretionary spending that can be directed to gaming and other forms of entertainment. Similarly, although we believe gaming tends to be more resilient than other forms of entertainment, when a country or region experiences a decline in GDP or a rise in inflation, spending on gaming may also decline. Demographic changes may also affect our results of operations. In addition, changing social habits in the countries in which we operate, such as longer working hours that result in a decrease in time spent on entertainment, may adversely affect our results of operations.

Competition

Consolidation of smaller gaming companies or the appearance of a new competitor, including illegal operators, close to the area of one of our key gaming sites could significantly affect our results of operations. In many of the countries and regions in which our businesses are located, the number of gaming sites in a given area is limited by regulation. However, illegal operators are, by nature, not controlled by regulation and their existence will depend on the desire or ability of regulators to regulate the activity. If such regulations were to be modified to allow for an increased number of gaming sites close to the location of our gaming sites, our clients could choose to visit our competitors' sites rather than our own. A decrease in visitors to our gaming sites could result in lower operating revenue and, in certain cases, our eventual closing or relocating of our gaming sites.

For more information on our competitors in the markets in which we operate, see "Business".

Argentina

Our Argentina business principally operates gaming halls with slot machines and bingo. The key factors that affect the results of operations of our Argentina business's slot machine operations are the number of installed slot machines and the average daily net win per slot machine. The factors that most significantly affect the number of our installed slot machines are the number of gaming halls that we are able to open in Argentina, our ability to expand or relocate existing halls and Argentine regulation that limits the number of slot machines that may be installed in any bingo hall to one for every two bingo seats. The average daily net win per slot machine is most significantly affected by our ability to select high production slot machines and efficiently rotate our portfolio of slot machines. The Argentina business principally purchases its slot machines. The results of operations of our Argentina business are also affected by gaming taxes which are levied at the provincial level. The operating results of our bingo operations are subject to factors such as the availability of larger cash pools and the number of players in the halls which affect card sales. Accordingly, our business, results of operations and financial condition are affected to a significant extent by Argentina's political, social and economic conditions, as well as by Argentine government measures including measures related to foreign exchange controls, currency exchange rates, interest rates and inflation.

Over the past decade, the Argentine economy has experienced a severe recession, as well as a political and social crisis, and the abandonment of the U.S. dollar/Argentine peso parity in January 2002 led to the significant depreciation of the Argentine peso against major international currencies. Since 2008, there have been a number of negative economic and political developments that have increased the level of uncertainty. The country experienced high inflation in recent years and there can be no assurance that Argentina will not experience another recession, higher inflation, devaluation, unemployment and social unrest in the future. Furthermore, the Argentine government has adopted various rules and regulations since late 2011 that have established restrictive controls on capital flows and the transfer of funds into and from Argentina. These exchange controls have practically closed the foreign exchange market to retail and wholesale transactions and access to U.S. dollars at the official exchange rate is severely restricted. Among other measures, the Argentine government requires official approval to buy U.S. dollars. A parallel foreign exchange market has emerged, and it is widely reported that the Argentine peso/U.S. dollar exchange rate in the unofficial market substantially differs from the official foreign exchange rate.

Due to restrictions imposed by the Central Bank in accessing U.S. dollars for uses such as importing products and services, servicing debt or paying dividends, we have been and remain unable to purchase U.S. dollars at the official exchange rate in order to repatriate funds and we have resorted in the past to making Argentine peso purchases of U.S. dollar-denominated Argentine sovereign securities, which we subsequently sell outside of Argentina for U.S. dollars. In selling these securities for U.S. dollars outside of Argentina, we have incurred losses in the past (recorded since 2012 under 'Gains or losses on financial assets' in our income statement) because the value of the U.S. dollar relative to the Argentine peso in these purchases differs materially from the official exchange rate at which the Argentine peso is translated into euro in our consolidated financial statements. As a result, we believe that the exchange rate of these transactions would represent a better indicator of the underlying value of our Argentine peso earnings and cash flow for reporting purposes.

The government of Argentina has also nationalized companies in several industries over the past decade, and there have been rumors to bring the gaming industry under government control through expropriation but it is very unlikely as gaming regulation is controlled by local authorities. As a regulated business we rely on the renewal of our licenses.

We are required to obtain and maintain licenses in order to conduct our operations. We may also have difficulty or face uncertainty in renewing our existing or obtaining new, gaming licenses, if regulation in this regard does not exist, is unclear, changes or is recently enacted. Regulatory developments are subject to change and we cannot assure you that any of our gaming licenses will be renewed or that they will be renewed on satisfactory terms. During 2012 and 2013 we have successfully renewed all of our gaming licenses in Argentina up to 2021.

The license renewals in Argentina result in additional upfront payments and a canon tax surcharge which have affected results, and which we expect to affect results in the coming years. As of the date of this Report, and since 2007, we have renewed 14 licenses. See "Business - Argentina" for additional detail regarding these license renewals.

Mexico

Our principal business in Mexico is the operation of gaming halls in which we operate slot machines and, in certain cases, traditional bingo. We also operate sports betting books and, through ICELA, a 52 hectare gaming complex in Mexico City, which includes the Las Americas racetrack, and an amusement park. On February 8, 2012 we closed the ICELA Acquisition Agreement with CIE, pursuant to which we purchased an additional 35.8% stake in ICELA. The Mexico business also includes the Mexico Internet operation. Our Mexico business's operating revenue is significantly affected by the locations of the gaming halls.

As in the case of our Argentine slot machine business, beyond regulatory changes, the key factors that affect the results of operations of our Mexican slot machine operations are the number of installed machines and the average daily net win per machine. The factors that most significantly affect the number of our installed machines are the number of gaming halls that we are able to open and our ability to expand or relocate existing halls. The average daily net win per machine is most significantly affected by our ability to select high production machines and efficiently rotate our portfolio. The Mexican business has purchase as well as lease arrangements for its machines. The bingo operations of our Mexico business are affected by many of the same factors as our Argentine bingo business such as the availability of larger cash pools, the number of players, and in particular by factors affecting bingo card sales. Our Mexican business operations are also affected by taxes, both at the federal and the state level.

The sports betting books which we operate in Mexico do not assume any financial risk for the bets placed at our sites. The financial risks are assumed by Grupo Caliente, as we only act as agent for Grupo Caliente and receive a percentage of the win. Therefore the key factor affecting the sports betting books operating revenue is the volume of betting by visitors to Grupo Caliente's sports betting locations. Betting volume is principally affected by traffic at the gaming halls and the ability of the books to attract betting, which is most significantly affected by the number and type of sporting events and races on which betting is made available and the availability of televised simulcasts of such events displayed on televisions throughout the site.

Italy

Our Italy business principally operates AWP machines located in third-party locations as well as gaming halls in which we offer VLTs, AWPs and bingo. The key factors that affect the results of operations of our Italy AWP and VLTs business are the number of our installed AWP and VLTs machines and the average daily net win per AWP and VLTs machine. The factors that most significantly affect the number of our AWP and VLTs machines are our ability to enter into new agreements, or renew existing agreements, with site owners and our ability to identify and undertake acquisitions. The key factors affecting our gaming hall business are the location of the halls and our ability to expand our existing halls or acquire new halls. The average daily net win per AWP and VLTs machine is most significantly affected by regulation and our ability to select high producing gaming machines. The operating results of our bingo operations are subject to factors such as the availability of larger cash pools and the number of players in the halls which affect card sales.

Spain

Our Spain business principally operates AWP machines located in third-party locations as well as betting locations and gaming halls in which we offer bingo, gaming machines and sports betting. The Spain business also includes the Spain Internet operation. The key factors that affect the results of operations of our Spain AWP business are the number of our installed AWP machines and the average daily net win per AWP machine. The factors that most significantly affect the number of our installed AWP machines are our ability to enter into new agreements, or renew existing agreements, with site owners and our ability to identify and undertake acquisitions. In addition to regulation, the average daily net win per AWP machine is most significantly affected by our ability to select high producing AWP machines and to efficiently rotate our AWP machine portfolio. In many cases, our success in entering into agreements with site owners depends on our making of exclusivity payments or loans and advances to the site owners, as is customary in the market.

The key factors affecting our sports betting business are the location of our shops, corners or self-service terminals, the number and type of events on which the client can bet and the odds offered. In the case of the Spanish business we assume financial risk for the bets placed. The operating results of the bingo business in our gaming hall operation are subject to factors such as the availability of larger cash pools and the number of players in the halls which affect card sales.

Critical Accounting Policies

Our Consolidated Financial Statements and the accompanying notes contain information that is pertinent to the discussion and analysis of our results of operations and financial condition set forth below. The preparation of financial statements in accordance with IFRS requires our management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. Estimates are evaluated based on available information and experience. Actual results could differ from these estimates under different assumptions or conditions. We believe that, in particular, the critical accounting policies and estimates discussed below involve significant management judgment due to the sensitivity of the methods and assumptions necessary in determining the related asset, liability, revenue and expense amounts. For a detailed description of our significant accounting policies, see Note 2 of our Consolidated Financial Statements.

Intangible Assets

The intangible assets acquired by the Group are stated at cost less accumulated amortization and impairment losses. Exclusivity or installation rights are capitalized at acquisition cost and amortized over the term of the related contract, which generally ranges from three to ten years. Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Gaming licenses are amortized during their useful lives. Likewise, the only intangible assets that the Group has with an indefinite lifetime are the non-redeemable installation rights and the brands, which are not amortized. For those intangible assets having finite useful lives, amortization is charged to the consolidated income statement on a straight-line basis over the relevant estimated useful life. Intangible assets are amortized from the date they are available for use. The amortization rates applied are as follows:

	Annual Depreciation Rate
Computer software	20 - 25%
Installation rights	10 - 33%
Gaming licenses	2.5 - 11%
Leasehold assignment rights	10 - 20%
Client portfolio	4.5 - 10%
Exclusivity rights	15 - 25%

Tangible Fixed Assets

Tangible fixed assets are carried at cost except for land and buildings, which are valued at fair value on independent appraisals using this value as cost. We regularly review the fair values recorded to ensure that the amounts do not differ significantly from current market values. This revaluation of such land and buildings is recognized directly in equity. A decrease in carrying amount arising on the revaluation of such land and buildings is first charged as an expense in the consolidated income statement. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the revaluation reserve is transferred directly to retained earnings. Depreciation on revalued buildings is charged to the income statement.

Leases under which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. The property acquired by way of a finance lease is stated at an amount equal to the lower of its fair value and the present value of the minimum lease payments at inception of the lease, less accumulated depreciation and impairment losses. Subsequent expenditure on capitalized tangible fixed assets is capitalized only when it increases the future economic benefit embodied in the specific asset to which it relates. All other expenditure is expended as incurred. Non-removable installations in bingo halls and casinos are depreciated over the shorter of the term of the related lease contracts or the depreciation period used for such assets.

Depreciation is charged to the consolidated income statement on a straight-line basis over the estimated useful lives of each component of the tangible fixed assets. The elements are depreciated from the date they are available for use. Land is not depreciated. The depreciation rates applied are as follows:

	Annual Depreciation Rate
Gaming machines	10% - 40%
Amusement machines	10% - 40%
Other installations, tools and furniture	7% - 30%
Information processing hardware	10% - 30%
Transport equipment	10% - 30%
Buildings	2% - 3%
Leasehold improvements	10% - 30%
Technical installations and machinery	7% - 30%

Financial expenses related to loans directly attributable to acquisition, construction or production of tangible assets, in the terms and conditions included in the IAS 23, are recorded as part of the cost of that asset.

Investment Property

These are assets (buildings, land) earmarked for the obtainment of rental income. These assets are not intended for sale or for administrative use. The Group recognizes real-estate investments using the cost model, applying the same policies as those mentioned for tangible fixed assets, depending on the category of asset concerned.

Goodwill

All business combinations are accounted for by applying the purchase method of accounting. Goodwill represents the difference between the acquisition cost and the fair value of the net identifiable assets acquired and liabilities assumed. Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortized but is tested annually for impairment. The goodwill is assigned to the Group's cash generating units which coincide, in general, with the operating segments, which correspond to geographical areas, as the cash generating units which make up the lines of activity (slot machines, bingo and casinos), do not provide sufficiently detailed information for individual analysis, since normally several different kinds of operations coincide in the same location; for example, gaming machines may be installed in bingo halls and casinos (Note 2(b)(6) to our Consolidated Financial Statements).

Impairment of Tangible and Intangible Assets

At each year-end, indications of possible impairment of the value of fixed noncurrent assets are evaluated, including goodwill and intangibles. If there are such indications of possible impairment, or when the nature of the assets requires an annual analysis of impairment, the Group estimates the recoverable value of the asset, which is the larger of the fair value, deducting transfer costs, and its value in use. The value in use is determined by the present value of future estimated cash flows, applying a discount rate which reflects the value of the money over time and takes into account the specific risks associated with the asset.

When the recoverable value of an asset is below its net accounting value, it is considered that there is an impairment of value. In this case, the carrying value is adjusted to the recoverable value, assigning the loss to the income statement. Impairment losses recognized in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to such cash-generating units and then to reduce the carrying amount of the other assets in the unit based on an individual analysis of the assets impaired.

For those assets which do not generate highly independent cash flows, the recoverable amount is determined for the cash generating units to which the valued assets belong.

The charges for depreciation of future periods are adjusted to the new accounting value during the remaining useful lifetime.

When new events take place, or changes of pre-existing circumstances, which show that a loss due to impairment recorded in a previous period might have disappeared or been reduced, a new estimate is made of the recoverable value of the corresponding asset. The losses due to impairment that have been recorded previously only revert if the hypotheses used in the calculation of the recoverable value had been changed since the most recent loss due to impairment was recognized. In this case, the carrying value of the asset is increased up to its new recoverable value, with the limit of the net accounting value which that asset would have had if no losses due to impairment in previous periods had been recorded. The reversion is recorded in the income statement and the charges for depreciation in future periods are adjusted to the new carrying value. The losses due to impairment of goodwill are not the object of reversion in subsequent periods.

Provisions and Contingent Liabilities

A provision is recognized in the consolidated balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. The amount recognized as a provision is the best estimate of the expenditure required to settle the present obligation at the consolidated balance sheet date. Provisions are reviewed at each consolidated balance sheet date and adjusted to reflect the current best estimate of the related liability. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

Contingent liabilities are considered to be those possible obligations arising as a consequence of past events, the materialization of which is conditional upon one or more future events independently of the will of the consolidated companies. Contingent liabilities do not fall within the scope of the object of accounting record. Additional details are set forth in Note 2(b)(19) to our Consolidated Financial Statements.

Provisions related to tax contingencies are recognized in the profit and loss account according to the nature of the tax.

Financial Liabilities

Financial liabilities are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, financial liabilities are stated at amortized cost with any difference between cost and redemption value being recognized in the consolidated income statement over the period of the borrowing based on an effective interest rate. Contracts that create an obligation to purchase own equity instruments for cash or another financial asset give rise to a financial liability equal to the present value of the redemption amount. The financial liability is recognized initially under IAS 39, at fair value (the present value of the redemption amount) against equity. Subsequently, the financial liability is measured in accordance with current rules and movements in fair value are accounted for as gain or loss in the consolidated income statement. If the contract expires without delivery, the carrying amount of the financial liability is reclassified to equity. The Group records financial liabilities disposals when obligations are canceled or expired. Difference between the carrying amount of a financial liability canceled or transferred to third parties and the consideration paid is recorded in the income statement of the fiscal year.

Liabilities maturing less than 12 months from the consolidated balance sheet date are classified as current and those maturing at over 12 months, as noncurrent.

Income Tax

Income tax in the consolidated profit and loss account includes both current and deferred taxes. Income tax expense is recognized in the consolidated income statement except to the extent that the tax relates to items directly recognized in equity, in which case the tax is also recognized in equity. The consolidated income statement for the year includes the expense for company tax of the group companies by global and proportional integration the calculation of which contemplates the amount of the tax accrued over the financial year, the differences between the taxable base and the consolidated accounting result as well as the bonuses and deductions in the amount to which the group companies have a right. Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted at the consolidated balance sheet date, and any adjustment to tax payable in respect to previous years.

Deferred income tax is recorded, using the liability method, for all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes calculated at the consolidated balance sheet date. Deferred taxes relating to the following temporary differences are not recorded: goodwill not deductible for tax purposes as the initial recognition of an asset or liability in a transaction that at the time of the transaction affects neither the accounting profit or taxable profit or loss. Deferred taxes relating to temporary differences that arise in investments in subsidiaries and associates are recognized except when the Group could control the date of the temporary differences reversal and it is likely that they will not be reverted in the foreseeable future. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is expected to be realized or the liability is expected to be settled, based on tax rates (and tax laws) that have been enacted at the consolidated balance sheet date.

Deferred income tax assets are recognized for all deductible temporary differences, carry-forwards of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forwards of unused tax credits and unused tax losses can be utilized. The carrying amount of deferred income tax assets is reviewed at each consolidated balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilized. See Note 2(b)(17) to our Consolidated Financial Statements for additional details.

Use of Estimates

The preparation of consolidated annual accounts in accordance with IFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates based on such reviews are recognized in the period in which the estimates are revised if the review affects only that period, or in the period of the review and future periods if the review affects both current and future periods. The main estimates recorded by the Group are discussed in Note 4 and in Note 13 to our Consolidated Financial Statements.

Principal Consolidated Income Statement Line Items

The following is a brief description of certain line items included in our consolidated income statement.

Operating Revenue

Operating revenue principally comprises revenue from gaming activities less prizes paid. We recognize revenue on an accrual basis, that is, when the actual flow of the related goods and services occurs, regardless of when the resulting monetary or financial flow arises.

Revenues from the principal business divisions are recorded as follows:

- Slot machines: revenues from slot machines are recorded as the net amount collected by the operator (net of prizes) before gaming taxes, except in Uruguay, where there is no direct tax.
- Bingo: revenues from bingo halls are recorded as the total amount of bingo cards sold, according to their face value, less bingo prizes, which are recorded as a deduction from gross receipts.
- Casinos and others: revenues are recorded as the net amount collected by the operator (net of prizes).
- Racetracks: revenues are recorded as the net amount collected by the operator (net of prizes).
- Sports betting: revenues are recorded as the net amount collected by the operator (net of prizes).

We employ a number of different revenue recognition methodologies across our different businesses. Our use of various revenue recognition methodologies is a result, in part, of historical adherence to a specified methodology and, in some cases, of an effort to make the reporting of our operating results more consistent with generally accepted accounting principles in the countries in which we operate. The manner in which our principal businesses record operating revenue is described below:

Argentina. The Argentina business's operating revenue principally comprises revenue collected from slot machines located in our bingo halls after prize payouts and from sales of bingo cards after prize payouts and revenues from food and beverages. It also reflects gains or losses from Argentine peso and U.S. dollar foreign exchange forward contracts that matured during the 2012.

Mexico. Our Mexico business's operating revenue includes our participation in the operating companies of ICELA, which we hold an 84.8% stake, and in the operating companies of Legacy Caliente (*i.e.*, the Joint Opcos, Promojuegos and Mio Games). In connection with the Caliente Restructuring, we terminated the contract pursuant to which we constructed or refurbished gaming halls and Grupo Caliente bought such halls at cost. Following the closing of the Caliente restructuring, we now fully consolidate Legacy Caliente, reflecting Grupo Caliente's stake in each of the Legacy Caliente entities as a non-controlling interest. On February 8, 2012, we completed the purchase of a 35.8% stake in ICELA from CIE for Mex. Ps. 2,653 million (equivalent to approximately U.S.$209.0 million and €158.0 million as of the date of closing of the acquisition). The acquisition of the 35.8% stake was in addition to Codere Mexico's already existing 49% stake in ICELA. Until January 31, 2012, we consolidated our stake in ICELA under the proportional method and, beginning February 1, 2012, we began consolidating 100% of ICELA in our financial statements. Operating revenue also includes revenues from Internet operations.

Italy. Operating revenue in Italy comprises revenue from our network operation, resulting from the interconnection fees for the AWP machines connected to the network as well as from the participation in revenues after prizes and taxes from the totality of the VLTs connected to the network. Operating revenue is also derived from our bingo operations, which includes revenues from sales of bingo cards, amounts collected from AWP machines placed in our gaming halls and the participation corresponding to the retail location for VLTs placed in the gaming halls (after prize payouts in all three cases) as well as revenues from food and beverage sales in our gaming halls. Operating revenue also includes revenues from our gaming machine operations, which includes amounts collected from AWP machines placed in non-specialized locations (*i.e.*, bars) after prize payouts and excluding the site owner's share as well as revenues after prize payouts for VLTs placed in dedicated gaming halls.

Spain. Operating revenue in Spain comprises revenues obtained from AWP machines and from our sports betting business, including self-service terminals, which we operate at third party locations (such as bars and stand-alone machine halls) after prize payouts, and excluding the site owner's share as well as ancillary services provided to site owners. Operating revenue also includes revenue obtained in our gaming halls from bingo cards sales, sports bets, AWP machines (after prize payouts in all cases) as well as from food and beverage sales at these halls.

The following table summarizes the manner in which revenue is recognized in 2013 across our businesses and certain business lines within certain businesses under IFRS:

Main Gaming Income Statement Items	Recognition of Gaming Revenue
Amounts Wagered	
Less	
Prizes Payout	
Equals	
Net Box (Net Win)	Spain bingo, Argentina slots and bingo, Italy bingo, Brazil, Panama casinos and racetrack, Colombia casino, Mexico ICELA, Legacy Caliente, Uruguay racetrack and Carrasco.
Less	
Site Owner [1]	
Equals	
Operator Revenues	Spain AWP, Colombia, Italy AWP, Spain sports betting
Less	
Gaming Taxes	
Equals	
Operator Revenues after Gaming Taxes	Uruguay slots
Less	
Operator Expenses	
Less	
Financial Expenses	
Equals	
Profit before Tax	
Less	
Income Tax	
Equals	
Net Profit	

(1) Share of net box to site owners.

Operating Expenses

Operating expenses comprise:

- *Consumption and Other External Expenses.* In Argentina, Panama and Italy, consumption and other external expenses principally comprises food and beverage cost of sales. In Mexico, it primarily includes food and beverage cost of sales for ICELA, Promojuegos and Mio Games. In Spain, it includes payments to certain AWP operators with whom we enter into collaboration agreements, costs related to ancillary services provided to site owners and other costs, including food and beverage, incurred at our gaming halls and sports betting locations.

- *Personnel Expenses.* Our personnel expenses include wages and salaries and social security costs.

- *Depreciation and Amortization.* Tangible fixed assets are depreciated on a straight-line basis over the estimated useful lives of each component of the assets. Other intangible assets are depreciated in the same way. The elements are depreciated from the date they are available for use. Land is not depreciated.

- *Variation in Provisions for Trade Transactions.* Variation in provisions for trade transactions principally relates to movements in provisions we have taken in connection with doubtful account receivables and loans that we have made to site owners. The amount of the variation in provisions is principally affected by our assessment of the likelihood that the account receivables will be paid or the loans will be repaid.

- *Impairment.* Impairment includes the amount by which asset values have been reduced at period end. See Note 2(b)(7) to our Consolidated Financial Statements.

- *Other Operating Expenses.* Other operating expenses comprise gaming and other taxes, machine and other leases, payment for independent professional services, such as legal and auditing services, travel and advertising expenses, repair and maintenance and insurance premiums, among others.

- *Gains or Losses on Asset Disposals or Acquisitions.* Gains or losses on asset disposals or acquisitions include the profit or losses obtained from disposals completed during the period.

Operating Profit

Operating profit represents the excess of operating revenue over operating expenses.

Financial Items

- *Financial Income.* Financial income principally comprises other interests, income from marketable securities and noncurrent loans.

- *Financial Expenses.* Financial expenses principally comprise interest paid on our outstanding indebtedness.

- *Gains or Losses on Financial Assets.* In 2012, gains or losses on financial assets principally comprised write-offs in the Legacy Caliente business and realized losses related to transactions in Argentine securities.

- *Exchange Gains (Losses), Net.* Exchange gains (losses), net, principally comprise gains and losses recorded upon translation of non-euro assets and liabilities into euro.

Corporate Income Tax

Corporate income tax includes all current and deferred taxes, as calculated in accordance with the relevant tax laws in force in the jurisdictions in which we operate.

As a result of our history of acquisitions and disposals and internal corporate reorganizations, our significant international operations and our financing structure, our tax position is complex.

In the last years, we have endeavored to achieve a more tax efficient structure for the Group by merging certain subsidiaries in Spain out of existence and seeking to increase the number of subsidiaries that are more than 75% owned and, therefore, members of our consolidated tax group. Additionally, on an international level, we are increasing the flow of funds to Codere, S.A. through intercompany transactions related to the development of intangibles assets by Codere, S.A. and the lending of funds within the Group by Codere, S.A. to offshore business units in order to assign interest expense directly to operating income. In addition, our non-Spanish subsidiaries have directly obtained financing.

For Spanish tax purposes, in 2013, 35 Spanish companies in our consolidated group filed their tax returns as a consolidated tax group. Under Spanish tax legislation, we must have owned more than 75% (70% if the shares of the owned company are traded on an official secondary market) of the capital stock of a company and the stake has to be held during tax year in order to include the company in our consolidated tax group. Spanish companies that are not part of our consolidated tax group pay tax on an individual basis (unless such companies belong to another tax group).

21 Italian companies are included in the consolidated tax regime applicable in Italy. This consolidated regime was applied from January 1, 2005 for companies included in the tax group headed by Codere Italia, S.p.A., and since January 1, 2006, for companies included in the tax group headed by Operbingo Italia, S.p.A. Since January 1, 2012 companies included in the tax group under Operbingo Italia, S.p.A. are included in the tax group under Codere Italia, S.p.A.

The statutory corporate income tax rate in Spain is 30% as of the date of this Report. Companies resident abroad are subject to corporate income tax according to local tax laws in the range of 25% to 35%, except in Chile, where the tax rate is 20%. We define our effective tax rate as our income tax expense over our income (loss) before tax.

VAT taxes are generally not deductible for gaming companies and, accordingly, are recorded as an operating expense. Since January 1, 2009, 37 Spanish companies in our Group are taxed under the Special VAT Regime for groups of companies. This has allowed us to minimize the VAT cost of Spanish intra-group transactions.

Non-Controlling Interests

Non-controlling interests comprise the portion of the net income or loss of companies we consolidate that is attributable to such companies' other shareholders. During the periods under review, non-controlling interests were principally attributable to our subsidiaries in Mexico, Uruguay and Panama.

Results of Operations

The following tables set forth, by principal business and for our Other Operations, operating revenue, operating expenses, operating profit (loss) and EBITDA for the years ended December 31, 2012 and 2013 prepared in accordance with IFRS:

	Year ended December 31,		
	2012	2013	% change
	(€ in millions, except percentages)		
Operating Revenue:			
Argentina	653.8	584.7	*(10.6%)*
Mexico	437.2	382.4	*(12.5%)*
Italy	261.0	259.7	*(0.5%)*
Spain	154.3	151.6	*(1.7%)*
Other Operations:			
Brazil	3.4	2.9	*(14.7%)*
Colombia	35.7	34.0	*(4.8%)*
Panama	92.5	90.3	*(2.4%)*
Uruguay	26.0	41.1	*58.1%*
Corporate Overhead	0.0	0.0	*n.a.*
Total	**1,663.9**	**1,546.7**	***(7.0%)***

	Year ended December 31,		
	2012	2013	% change
	(€ in millions, except percentages)		
Operating Expenses:			
Argentina	511.7	490.9	*(4.1%)*
Mexico [(1) (2)]	418.0	396.9	*(5.0%)*
Italy	244.5	273.0	*11.7%*
Spain	243.6	163.0	*(33.1%)*
Other Operations:			
Brazil	4.7	4.2	*(10.6%)*
Colombia	35.1	35.1	*0.0%*
Panama	92.2	89.3	*(3.1%)*
Uruguay	29.4	61.1	*107.8%*
Corporate Overhead [(2)]	29.2	39.2	*34.2%*
Total [(1)]	**1,608.4**	**1,552.7**	***(3.5%)***

	Year ended December 31,		
	2012	2013	% change
	(€ in millions, except percentages)		
Operating Profit (Loss):			
Argentina	142.2	93.8	*(34.0%)*
Mexico [(1) (2)]	27.0	(18.3)	*n.a.*
Italy	16.4	(13.8)	*n.a.*
Spain	(91.5)	(12.5)	*86.3%*
Other Operations:			
Brazil	(1.3)	(1.3)	*0.0%*
Colombia	1.4	(1.8)	*n.a.*
Panama	1.0	0.9	*(10.0%)*
Uruguay	(3.3)	(20.1)	*n.a.*
Corporate Overhead [(2)]	(29.2)	(39.4)	*(34.9%)*
Total [(1)]	**62.7**	**(12.5)**	***(119.9%)***

	Year ended December 31,		
	2012	2013	% change
	(unaudited)		
	(€ in millions, except percentages)		
EBITDA:			
Argentina	160.6	110.8	*(31.0%)*
Mexico [1] [2]	85.1	78.6	*(7.6%)*
Italy	35.0	21.4	*(38.9%)*
Spain	15.9	17.0	*6.9%*
Other Operations:			
Brazil	(0.7)	(0.8)	*(14.3%)*
Colombia	5.4	3.6	*(33.3%)*
Panama	14.2	14.6	*2.8%*
Uruguay	(0.4)	(1.2)	*n.a.*
Corporate Overhead [2]	(27.8)	(37.9)	*(36.3%)*
Total [1]	**287.3**	**206.1**	***(28.3%)***

(1) P&L December 2012 was restated as a result of restatement of 2012 Consolidated Accounts.
(2) In 2013 Mexico includes Codere Interactiva SL for an amount of €0.2 million which was included in corporate overhead in 2012.

Year Ended December 31, 2013 Compared to Year Ended December 31, 2012

Group Results of Operations

Operating Revenue

Operating revenue decreased by €117.2 million, or 7.0%, to €1,546.7 million in 2013 from €1,663.9 million in 2012. The decrease was principally attributable to:

- A decrease in Argentina (€69.1 million) primarily due to the depreciation of the Argentine peso against the euro, the smoking ban and the macroeconomic context affecting the country, partially offset by the increase in the daily net win per machine per day in local currency (1.3%), and the addition of new machine seats. Despite the closure of the halls during the legislative Election Day in Argentina in the Q4 2013, net win per machine per day increased by 12.7% compared to the same period of 2012.

- A decrease in Mexico (€54.8 million) due to fewer gaming machine seats derived from the temporary closure of halls since Q1 2013, to the externalization of the Banamex Convention Centre and to the decrease of the average daily net win per seat affected by increased competitive pressure and, since the fourth quarter, by the implementation of the anti-money laundering regulation.

- A decrease in Spain (€2.7 million) due to lower revenues in the AWP business and to a lesser extent, in the bingo business partially offset by the increase in the Sports Betting business. The AWP business recorded lower revenues as we reduced the number of machines in the portfolio (9.2%) to dispose of non-profitable locations while the average daily net win continued to decrease (4.1%). The better performance of Sports Betting reduced the differential in revenues thanks to higher revenues per point of sale combined with the increase in the number of them (1,395 in December 2013 compared to 1,176 in the same month in 2012), both in previously regulated regions as well as in newly deployed ones (deployment in Valencia started in Q2 2012, and Galicia and Murcia in 2013)

- A decrease in Panama (€2.2 million) mainly due to the depreciation of the dollar against the euro.

- The decrease in operating revenue was partially offset by the increase in Uruguay in 2013 (€15.1 million) principally due to the opening of the Carrasco Hotel Casino in Q1 2013; and the increase in the fee received from the gaming authority from Q4 2012 in our gaming halls operation (linked to the grant of the concession to operate the Las Piedras Racetrack); despite the depreciation of the Uruguayan peso against the Euro.

Operating Expenses

Operating expenses decreased by €55.7 million, or 3.5%, to €1,552.7 million in 2013 from €1,608.4 million in 2012. The decrease was principally attributable to:

- A decrease in Spain (€80.6 million) mainly resulting from the impairment loss registered in 2013 (€3.6 million) compared to 2012 (€75.2 million) and also due to lower restructuring charges (€2.8 million in 2012, versus €1.5 million in 2013) and to cost savings efforts. In Q4 2013 expenses were affected by higher costs in guarantees linked to gaming taxes as a consequence of the financial context of the Group.

- A decrease in Mexico (€21.1 million) due to cost saving measures implemented to generate efficiencies, to lower expenses resulting from the temporary closure of halls and to the externalization of Banamex, that offset the impairment loss registered in Q2 2013 (€24.3million) and the regularization of taxes (€8.5 million) recorded during the period.

- A decrease in Argentina (€20.8 million) mainly due to the depreciation of the Argentine peso and the cost saving initiatives, and despite the increase of the gross revenues tax rate in the Province of Buenos Aires from 8% to 12% since January 1, 2013 and the impact of a high inflation rate in salaries and other operating costs. In addition, expenses in 2013 include non-recurring charges of c.€4.2 million.

- A decrease in Panama (€2.9.million) mainly due to a reduction in personnel expenses.

- The decrease in operating expenses was partially offset by an increase in Uruguay (€31.7 million) due to expenses related to the opening and operation of the Carrasco Hotel Casino, the increase of personnel and operating expenses associated to the new racetrack and impairment losses of €13.4 million registered in Q4 2013; and in Italy (€28.5 million) mainly due to the impairment loss registered in Q4 2013 (€16.0 million) and also because of the higher gaming tax for the VLTs (5% on the amounts wagered in 2013 vs. 4% in 2012).

Gains or Losses on Asset Disposals or Acquisitions

Gains on asset disposals or acquisitions resulted in a loss of €6.5 million compared to a gain of €7.2 million in 2012 that was recorded for the re-evaluation of our original 49% stake in ICELA. The loss in 2013 is derived from the disposal of machines in Colombia and Spain and the closure of the gaming hall Zapopan in Mexico.

Operating Profit

Operating profit decreased in 2013 by €75.2 million, to a loss of €12.5 million from a gain of €62.7 million in 2012. Operating margin decreased to (0.8%) in 2013 compared to 3.8% in 2012.

EBITDA

EBITDA decreased by €81.2 million, or 28.3%, to €206.1 million in 2013 from €287.3 million in 2012. The decrease in EBITDA was principally attributable to Argentina (€49.8 million) , Italy (€13.6 million) and to a lesser extent, in Mexico (€6.5 million). This decrease was partially offset by an increase in Spain (€1.1 million). EBITDA margin decreased to 13.3% in 2013 from 17.3% in 2012. Excluding the effect of non-recurring items, EBITDA 2013 would have been €242.6 million and the EBITDA margin would have been 15.7%, affected by tax increases in several jurisdictions and the deterioration of results in Argentina.

Financial Income

Financial income decreased by €2.5 million, or 32.9%, to €5.1 million in 2013 from €7.6 million in 2012.

Financial Expenses

Financial expenses increased by €26.3 million (22.9%) to €141.3 million from €115.0 million in 2012. The increase was primarily due to the higher amounts drawn, and higher costs, of the Senior Credit Facility, to the variation in the fair value of the option on 15.2% of ICELA, to the financings obtained in Argentina for the renewal of the licenses and in Uruguay for the Carrasco project and, to a lesser extent, to the accrual of interest on the US$300 million bond issued in February 2012.

Gains or Losses on Financial Assets

Gains or losses on financial assets generated losses of €0.8 million, compared with a loss of €51.4 million in 2012. Last year losses resulted from write-offs of financial assets in the Legacy Caliente business and from transactions with Argentine securities.

Exchange Gains (Losses), Net

Exchange gains (losses), net, which principally reflect the impact of changes in exchange rates on balances in foreign currencies, decreased by €10.5 million to a loss of €10.1 million in 2013 from a gain of €0.4 million in 2012.

Corporate Income Tax

Corporate income tax decreased by €27.4 million, or 37.5%, to €45.6 million in 2013 from €73.0 million in 2012, primarily attributable to the decrease in profit before tax in Argentina.

Non-controlling Interests

Non-controlling interests varied €9.8 million to €(31.6) million from €(21.8) million in 2012. This variation was principally attributable to higher losses in the Carrasco project in Uruguay, partially offset by smaller losses in Legacy Caliente in Mexico.

Net Income

As a result of the aforementioned, the net loss for the year was €173.6 million, compared to a loss of €146.9 million in 2012.

Results of Operations by Business

Argentina

	Year ended December 31,		
	2012	**2013**	**% change**
	(€ in millions, except percentages) (unaudited)		
Operating revenue	653.8	584.7	*(10.6%)*
Operating expenses:			
Consumption and other external expenses	14.4	11.9	*(17.4%)*
Personnel expenses	130.7	133.0	*1.8%*
Depreciation	15.8	14.0	*(11.4%)*
Amortization of intangible assets	2.7	3.0	*11.1%*
Other operating expenses	348.1	329.0	*(5.5%)*
Gaming and other taxes	269.8	256.1	*(5.1%)*
Machine rental costs	2.0	4.4	*120.0%*
Other rentals	8.9	8.3	*(6.7%)*
Others	67.4	60.2	*(10.7%)*
Total operating expenses	511.7	490.9	*(4.1%)*
Gains or losses on asset disposals or acquisitions	0.1	0.0	*n.a.*
Operating profit	142.2	93.8	*(34.0%)*
EBITDA	160.6	110.8	*(31.0%)*

Operating Revenue. Operating revenue in Argentina principally comprises revenue collected from slot machines located in our halls after prize payouts and from sales of bingo cards after prize payouts and revenues from food and beverages. It also reflected gains or losses from Argentine peso and U.S. dollar forward foreign exchange contracts that mature during 2012. Operating revenue decreased by €69.1 million, or 10.6%, to €584.7 million in 2013 from €653.8 million in 2012, primarily due to the depreciation of the Argentine peso against the euro, the smoking ban and the macroeconomic context affecting the country, partially offset by the increase in the daily net win per machine per day in local currency (1.3%), and the addition of new machine seats. Despite the closure of the halls during the legislative Election Day in Argentina in the Q4 2013, net win per machine per day increased by 12.7% compared to 2012. Losses on the foreign exchange contracts which matured in 2012 were €3.8 million, compared to nil in 2013 due to the disappearance of forward foreign exchange contracts in this period. At constant exchange rates, revenues increased by 23.9% in part due to the introduction of smoking areas in some of the halls.

Operating Expenses. Operating expenses decreased by €20.8 million, or 4.1%, to €490.9 million in 2013 from €511.7 million in 2012. The key changes in operating expenses were as follows:

- *Consumption and Other External Expenses*. Consumption and other external expenses, which principally include food and beverage cost of sales, decreased by €2.5 million, or 17.4%, to €11.9 million in 2013 from €14.4 million in 2012, primarily due to a decrease in the sale of food and beverages in 2013 compared with 2012 and the depreciation of the Argentine peso against the euro, partially offset by the impact of a high inflation in the price of goods sold.

- *Personnel Expenses*. Personnel expenses increased by €2.3 million, or 1.8%, to €133.0 million in 2013 from €130.7 million in 2012, principally due to increases in payroll resulting from inflation, as well as personnel increases associated with an increase in the number of machines installed and non-recurring costs of €1.6 million in 2013 from €1.1 million in 2012, partially offset by the depreciation of the Argentine peso against the euro and the reduction of headcount in 2013.

- *Depreciation*. Depreciation decreased by €1.8 million, or 11.4%, to €14.0 million in 2013 from €15.8 million in 2012 primarily due to the depreciation of the Argentine peso against the euro, partially offset by an increase in the portfolio.

- *Amortization*. Amortization increased €0.3 million to €3.0 million in 2013 from €2.7 million in 2012 due to license renewals in Argentina in Q4 2012, partially offset by the depreciation of the Argentine peso against the euro.

- *Other Operating Expenses*. Other operating expenses, which include gaming and other taxes, payments to the non-profit organizations that nominally hold the licenses to operate the gaming halls, marketing expenses, lease payments and other expenses, decreased by €19.1 million, or 5.5%, to €329.0 million in 2013 from €348.1 million in 2012. The decrease was mainly due to the depreciation of the Argentine peso and the cost saving initiatives, and despite the increase of the gross revenues tax rate in the Province of Buenos Aires from 8% to 12% since January 1, 2013 and the impact of a high inflation rate in other operating costs. In addition, expenses in 2013 include non-recurring charges of c.€2.6 million.

- *Operating Profit*. Operating profit decreased by €48.4 million, or 34.0% to €93.8 million in 2013 from €142.2 million in 2012. Operating margin decreased to 16.0% in 2013 from 21.7% in 2012.

EBITDA. EBITDA margin declined from 24.6% in 2012 to 18.9% in the comparable period of 2013. However, as a result of the ongoing efforts to gain efficiencies and to contain the escalation of costs, the quarterly spread between EBITDA margins has been decreasing during 2013. Excluding non-recurring items, the spread between Q4 2012 and Q4 2013 would have been 0.2 basis points, which is the lowest in the year. At a constant exchange rate, 2013 EBITDA decreased by 16.1% and Q4 2013 EBITDA increased by 18.0% compared to similar periods in 2012.

Mexico

	Year ended December 31,		
	2012	2013	% change
	(€ in millions, except percentages)		
	(unaudited)		
Operating revenue	437.2	382.4	*(12.5%)*
Operating expenses:			
Consumption and other external expenses	19.4	20.7	*6.7%*
Personnel expenses (1)	94.6	87.0	*(8.0%)*
Depreciation	53.1	51.8	*(2.4%)*
Amortization of intangible assets	12.8	17.0	*32.8%*
Asset impairment test	-	24.3	*n.a.*
Other operating expenses (2) (3) (4):	238.1	196.1	*(17.6%)*
Gaming and other taxes (3)	59.2	42.1	*(28.9%)*
Machine rental costs	50.8	38.0	*(25.2%)*
Other rentals	33.1	32.8	*(0.9%)*
Others (2) (4)	95.0	83.2	*(12.4%)*
Total operating expenses (3) (4)	418.0	396.9	*(5.0%)*
Gains or losses on asset disposals or acquisitions (3)	7.8	(3.8)	*n.a.*
Operating profit(3) (4)	27.0	(18.3)	*n.a.*
EBITDA(3) (4)	85.1	78.6	*(7.6%)*

(1) It includes personnel costs related to outsourced employees.
(2) It excludes personnel costs related to outsourced employees.
(3) P&L at December 2012 was restated as a result of Restatement of 2012 Consolidated Accounts.
(4) In 2013 Mexico includes Codere Interactiva SL for an amount of €0.2million which was included in corporate overhead in 2012.

Operating Revenue. Operating revenue includes our 84.8% stake in the operating companies of ICELA, which we began consolidating globally beginning February 1, 2012 (until January 31, 2012, we consolidated our 49% stake in ICELA proportionally), and the directly-owned licensees (Promojuegos and Mio Games, which we also consolidate globally). Operating revenue decreased by €54.8 million, or 12.5%, to €382.4 million in 2013 from €437.2 million in 2012. The decrease was principally attributable to fewer gaming machine seats derived from the temporary closure of halls, to the externalization of the Banamex Convention Centre and to the decrease of the average daily net win per seat affected by increased competitive pressure and by the implementation of the anti-money laundering regulation.

Operating Expenses. Operating expenses decreased by €21.1 million, or 5.0%, to €396.9 million in 2013 from €418.0 million in 2012. The key changes in operating expenses were as follows:

- *Consumption and Other External Expenses*. Consumption and other external expenses include primarily food and beverage cost of sales for ICELA, Promojuegos, Mio Games and the Joint Opcos. Consumption and other external expenses increased by €1.3 million, or 6.7%, to €20.7 million in 2013 from €19.4 million in 2012, primarily due to the increase of food and beverage cost and the global consolidation of the ICELA business beginning February 1, 2012.

- *Personnel Expenses*. Personnel expenses decreased by €7.6 million, or 8.0% to €87.0 million in 2013 from €94.6 million in 2012 primarily due to the reduction of headcount derived from not replacing vacancies, temporary closure of halls and the depreciation of the Mexican peso against the euro, partially offset by €2.7 million of non-recurring costs.

- *Depreciation*. Depreciation, which includes the investment in halls operated by ICELA, Promojuegos, Mio Games and the Joint Opcos, as well as the racetrack and the convention center until June 1, 2013, and the capitalized leases associated with the International Game Technology ("IGT") machines (in ICELA), decreased by €1.3 million, or 2.4% to €51.8 million in 2013 from €53.1 million in 2012, primarily due to fewer gaming machine seats and the depreciation of the Mexican peso against euro and the agreement signed by CIE whereby this group operates the Convention Centre since June 1, 2013. .

- *Amortization*. Amortization, which primarily includes the amortization of the licenses, increased by €4.2 million to €17.0 million in 2013 from €12.8 million in 2012, primarily due to the consolidation of ICELA business.

- Impairment loss registered in Q2 2013 for €24.3 million. The goodwill of the Mexican operations was impaired following a test for impairment. This charge was triggered by the temporary closure of halls, the increase in the weighted average cost of capital (WACC) and by the impact of the tax regularization. The impairment loss is a non-cash charge to operating earnings, and does not affect the company´s liquidity, operating cash flow, or debt service capacity.

- *Other Operating Expenses*. Other operating expenses, which include gaming and other taxes, marketing expenses, lease payments and others, decreased by €42.0 million, or 17.6%, to €196.1 million in 2013 from €238.1 million in 2012, principally due to cost saving measures implemented to generate efficiencies, to lower expenses resulting from the temporary closure of halls and to the externalization of Banamex and the depreciation of Mexican peso against euro, that offset the regularization of taxes by €8.5 million recorded during the period.

Operating Profit. Operating profit decreased by €45.3 million to a loss of €18.3 million in 2013, from a gain of €27.0 million in 2012. Operating margin decreased to (4.8%) in 2013 from 6.2% in 2012.

EBITDA. EBITDA decreased by 7.6% due to temporary closures of halls and to competitive pressure. Due to cost savings, EBITDA margin increased to 20.6% in 2013 from 19.5% in 2012, despite the non-recurring charges and the closure of halls. At a constant exchange rate, EBITDA in 2013 would have reached €78.7 million, representing a decrease of 7.5% compared to the same period in 2012.

Italy

	Year ended December 31,		
	2012	2013	% change
	(€ in millions, except percentages) (unaudited)		
Operating revenue	261.0	259.7	*(0.5%)*
Operating expenses:			
Consumption and other external expenses	2.6	1.5	*(42.3%)*
Personnel expenses	41.0	41.9	*2.2%*
Depreciation	12.4	11.3	*(8.9%)*
Amortization of intangible assets	5.9	6.5	*10.2%*
Variation in provisions for trade transactions	0.2	0.9	*n.a.*
Asset impairment test	-	16.0	*n.a.*
Other operating expenses	182.4	194.9	*6.9%*
Gaming and other taxes	131.0	139.0	*6.1%*
Other rentals	9.1	9.4	*3.3%*
Others	42.3	46.5	*9.9%*
Total operating expenses	244.5	273.0	*11.7%*
Gains or losses on asset disposals or acquisitions	(0.1)	(0.5)	*n.a.*
Operating profit	16.4	(13.8)	*n.a.*
EBITDA	35.0	21.4	*(38.9%)*

Operating Revenue. Operating revenue in Italy comprises revenue from our network operation, resulting from the interconnection fees for the AWP machines connected to the network, as well as from the participation in revenues after prizes and taxes from the totality of the VLTs connected to the network; from our gaming hall operations, which includes revenues from sales of bingo cards, amounts collected from AWP machines placed in the halls and the participation corresponding to the retail location for VLTs placed in the halls (after prize payouts in all three cases), as well as revenues from food and beverage sales; and revenues from machines operated at third-party locations, which includes amounts collected from AWP machines placed in non-specialized locations (*i.e.* bars) and from VLTs placed in gaming halls, in both cases after prize payouts, and excluding the site owner's share. Operating revenue decreased by €1.3 million, or 0.5%, to €259.7 million in 2013 from €261.0 million in 2012, mainly due to the fall in private consumption resulting from the economic recession affecting the country that caused lower average daily net win per VLT and AWP and to the deterioration of the bingo game. This decrease was partially compensated by the higher number of VLTs installed and the higher number of machines connected to the network. In Q4 2013, as a result of the higher number of AWPs connected, we obtained 250 additional VLTs licenses to expand our business according to the license availability defined by the Italian regulator (AAMS).

Operating Expenses. Operating expenses increased by €28.5 million, or 11.7%, to €273.0 million in 2013 from €244.5 million in 2012. The key changes in operating expenses were as follows:

- *Consumption and Other External Expenses.* Consumption and other external expenses, which principally includes food and beverage cost of sales in the gaming halls, decreased by €1.1 million, or 42.3%, to €1.5 million in 2013 from €2.6 million in 2012. The decrease was principally attributable to decreased food and beverage sales.

- *Personnel Expenses.* Personnel expenses increased by €0.9 million, or 2.2%, to €41.9 million in 2013 from €41.0 million in 2012. The increase was principally attributable to non-recurring costs of €0.9 million in 2013 from €0.3 million in 2012, the increase in the number of VLTs and the increase in personnel associated with the acquisition of the AWP machine, partially offset by the reduction of headcount.

- *Depreciation*. Depreciation decreased by €1.1 million, or 8.9%, to €11.3 million in 2013 from €12.4 million in 2012. The decrease was principally attributable to the finalization of the amortization of AWP machines in Bingo business.

- *Amortization*. Amortization increased €0.6 million to €6.5 million in 2013 from €5.9 million in 2012. The increase was principally associated with the amortization of the VLT rights. In Q4 2013 were granted new VLTs licenses.

- *Variation in Provisions for Trade Transactions*. Variation in provisions for trade transactions increased by €0.7 million, to €0.9 million in 2013 from €0.2 million in 2012.

- *Impairment.* The impairment loss registered in Q4 2013 for €16.0 million is principally attributable to the increase in taxes and the decline of the net win per machine per day as a result of the macroeconomic conditions in Italy. This charge impaired the goodwill of the Italian operations. The impairment loss is a non-cash charge to operating earnings, and does not affect the company's liquidity, operating cash flow, or debt service capacity.

- *Other Operating Expenses*. Other operating expenses, which include gaming and other taxes, marketing expenses, lease payments and others, increased by €12.5 million, or 6.9%, to €194.9 million in 2013 from €182.4 million in 2012. The increase was principally attributable to an increase in VLT gaming tax (5% of amounts wagered in 2013 compared to 4% of amounts wagered in 2012), to the Dalla Pria consolidation and to the increase in the number of VLTs installed. In addition, other operating expenses have been affected by the difference in non-recurring items in 2013 compared to 2012. In 2012, non-recurring expenses increased €2.1 million due to a charge for an AWP renewal fee in respect of Codere Network and by an adjustment in contingent payments in respect of Gap Games and Future Games. In 2013, non-recurring expenses decreased €0.2 million due to an adjustment in contingent payments in respect of DP Service and a provision for tax charge.

Gains or Losses on Asset Disposals or Acquisitions. Gains or losses on asset disposals or acquisitions were a loss of €0.5 million in 2013 compared to a loss of 0.1million in 2012.

Operating Profit. Operating profit decreased by €30.2 million to a loss of €13.8 million in 2013 from a gain of €16.4 million in 2012. Operating margin decreased to a loss of 5.3% in 2013 from a gain of 6.3% in 2012.

EBITDA. EBITDA decreased by €13.6 million to €21.4 million in 2013 from €35.0 million in 2012, mainly due to the aforementioned increases in taxes. EBITDA margin decreased to 8.2% in 2013 from 13.4% in 2012.

Spain

	Year ended December 31,		
	2012	2013	% change
	(€ in millions, except percentages) (unaudited)		
Operating revenue	154.3	151.6	*(1.7%)*
Operating expenses:			
Consumption and other external expenses	8.3	8.7	*4.8%*
Personnel expenses	40.1	37.9	*(5.5%)*
Depreciation	17.6	14.9	*(15.3%)*
Amortization of intangible assets	10.7	8.9	*(16.8%)*
Variation in provisions for trade transactions	1.7	1.0	*(41.2%)*
Asset impairment test	75.2	3.6	*(95.2%)*
Other operating expenses:	90.0	88.0	*(2.2%)*
Gaming and other taxes	58.7	57.6	*(1.9%)*
Machine rental costs	1.2	1.5	*25.0%*
Other rentals	5.5	5.2	*(5.5%)*
Others	24.6	23.7	*(3.7%)*
Total operating expenses	243.6	163.0	*(33.1%)*
Gains or losses on asset disposals or acquisitions	(2.2)	(1.1)	*50.0%*
Operating profit	(91.5)	(12.5)	*86.3%*
EBITDA	15.9	17.0	*6.9%*

Operating Revenue. Operating revenue in Spain comprises revenues obtained from AWP machines and from sports betting services, including self-service terminals, which we operate at third-party locations (for example, bars and gaming halls) after prize payouts, and excluding the site owner’s share as well as ancillary services provided to site owners. Operating revenue also includes revenue obtained in our gaming halls from bingo cards sales, sports bets, AWP machines, in each case, after prize payouts, as well as revenue from food and beverage sales at these halls.

Operating revenue decreased by €2.7 million, or 1.7%, to €151.6 million in 2013 from €154.3 million in 2012 due to lower revenues in the AWP business and to a lesser extent, in the bingo business partially offset by the increase in the Sports Betting business. The AWP business recorded lower revenues as we reduced the number of machines in the portfolio (9.2%) to dispose of non-profitable locations while the average daily net win continued to decrease (4.1%). The better performance of Sports Betting reduced the differential in revenues thanks to higher revenues per point of sale combined with the increase in the number of them (1,395 in December 2013 compared to 1,176 in the same month in 2012), both in previously regulated regions as well as in newly deployed ones (deployment in Valencia started in Q2 2012, and Galicia and Murcia in 2013) .

Operating Expenses. Operating expenses decreased by €80.6 million, or 33.1%, to €163.0 million in 2013 from €243.6 million in 2012. The key changes in operating expenses were as follows:

- *Consumption and Other External Expenses*. Consumption and other external expenses include payments to certain AWP operators with whom we enter into collaboration agreements, costs related to ancillary services provided to site owners and other costs, including food and beverage, incurred at our gaming halls and sports betting locations. Consumption and other external expenses increased by €0.4million, or 4.8%, to €8.7 million in 2013 from €8.3 million in 2012, principally attributable to the increase of costs associated with sports betting locations.

- *Personnel Expenses*. Personnel expenses decreased by €2.2 million, or 5.5%, to €37.9 million in 2013 from €40.1 million in 2012. The decrease was principally attributable to a decrease in the number of employees compared with 2012 and to non-recurring restructuring charge of €0.5 million in 2013 compared to €1.9 recorded in 2012 for a similar concept.

- *Depreciation*. Depreciation decreased by €2.7 million, or 15.3%, to €14.9 million in 2013 from €17.6 million in 2012, principally attributable to the decrease in the number of machines.

- *Amortization*. Amortization decreased by €1.8 million, or 16.8%, to €8.9 million in 2013 from €10.7 million in 2012 as a result of the reduction in exclusivity payments to bar owners, which are conditional on the performance of the machines.

- *Variation in Provisions for Trade Transactions*. Variation in provisions for trade transactions decreased by €0.7 million, or 41.2%, to €1.0 million in 2013 from €1.7 million in 2012.

- *Asset Impairment Test.* Asset impairment test decreased by €71.6 million to €3.6 million in 2013 from €75.2 million in 2012. The impairment loss is principally attributable to the regulatory context in the Internet business in Spain which resulted in a competitive disadvantage. This charge reduced fixed assets in Spanish online business. The impairment loss is a non-cash charge to operating earnings, and does not affect the company's liquidity, operating cash flow, or debt service capacity.

- *Other Operating Expenses*. Other operating expenses, which include gaming and other taxes, marketing expenses, lease payments, expenses related to the Internet business and others, decreased by €2.0 million, or 2.2%, to €88.0 million in 2013 from €90.0 million in 2012, principally attributable to a decrease in gaming taxes as a result of the reduction in the number of machines installed and to cost saving efforts. In Q4 2013 expenses were affected by higher costs in guarantees linked to gaming taxes as a consequence of the financial context of the Group.

Gains or Losses on Asset Disposals or Acquisitions. Gains or losses on asset disposals or acquisitions was a loss of €1.1 million in 2013, compared to a loss of €2.2 million in 2012, principally attributable to losses recorded in Spain AWP business and Bingo business.

Operating Profit. Operating profit increased by €79.0 million to a loss of €12.5 million in 2013 from a loss of €91.5 million in 2012.

EBITDA. EBITDA increased by €1.1 million, or 6.9%, to €17.0 million in 2013 from €15.9 million in 2012. The increase in EBITDA was principally attributable to the efficiencies previously mentioned. EBITDA margin increased to 11.2% in 2013, compared to 10.3% in 2012.

Other Operations

Other Operations includes the results of our operations in Panama, Uruguay, Colombia and Brazil, but excludes Corporate Overhead.

Operating Revenue. Operating revenue increased by €10.7 million, or 6.8%, to €168.3 million in 2013 from €157.6 million in 2012. The increase in operating revenue was principally attributable to the increase in Uruguay (€15.1million) principally due to the opening of the Carrasco Hotel Casino in Q1 2013 and the increase in the fee received from the gaming authority from Q4 2012 in our gaming halls operation (linked to the grant of the concession to operate the Las Piedras Racetrack), despite the depreciation of the Uruguayan peso against the Euro. This increase was partially offset by Panama (€2.2 million) mainly due to the depreciation of the dollar against the euro; and Colombia (€1.7 million) due to a lower average number of seats, the depreciation of the Colombian peso against the euro and the increase in competition, partially offset by the opening of Casino Crown Zona T in Q3 2012.

Operating Expenses. Operating expenses increased by €28.3 million, or 17.5%, to €189.7 million in 2013 from €161.4 million in 2012. This increase was mainly attributable to Uruguay (€31.7 million) due to expenses related to the opening and operation of the Carrasco Hotel Casino, the increase of personnel and operating expenses associated to the new racetrack and the impairment loss registered in Q4 2013 in Carrasco Nobile (€13.4 million); Colombia (constant) principally due to the costs reduction efforts partially offset by the impact of gaming taxes of previous years; and partially offset by Panama (€2.9 million) mainly due to a reduction in personnel expenses.

Operating Profit. Operating profit decreased by €20.1 million, to a loss of €22.3 million in 2013 from a loss of €2.2 million in 2012, mainly affected by the impairment loss registered in Carrasco Hotel Casino (€13.4 million).

EBITDA. EBITDA decreased by €2.3 million to €16.2 million in 2013 from €18.5 million in 2012, principally due to the losses of the Carrasco Hotel and Casino and some non-recurring charges. EBITDA margin decreased to 9.6% in 2013 from 11.7% in 2012.

Liquidity and Capital Resources

Liquidity

To date, our and our subsidiaries' liquidity needs have been met principally from proceeds from the offerings of senior notes, including the Notes, cash flow from operating activities and borrowings under credit facilities and other bank borrowings.

The following table provides a profile of our liabilities under IFRS at December 31, 2012 and 2013.

	As at December 31,	
	2012	**2013**
	(audited) **(€ in millions)**	
Short term debt payable to credit institutions	75.9	122.3
Other current liabilities (1) (2)	444.1	454.8
Total current liabilities (1)	520.0	577.1
Long term debt payable to credit institutions	100.6	102.7
Other long term liabilities (1) (3)	1,349.6	1,253.7
Total long term liabilities (1)	1,450.2	1,356.4
Total liabilities (1)	1,970.2	1,933.5

(1) Balance at December 2012 was restated as a result of Restatement of 2012 Consolidated Accounts.

(2) Other current liabilities consist of interest accrued on bonds, commercial creditors, other non-commercial obligations and accrual accounts and others.

(3) Other long-term liabilities consist of the Notes, deferred tax liabilities, other payables, deferred income, provisions and financial liabilities and minority interests.

Historical Cash Flows

The following is our consolidated cash flow statement under IFRS for the years ended December 31, 2012 and 2013.

	Year ended December 31,	
	2012	**2013**
	(audited)	
Cash flow from continuing operations:	**(€ in millions)**	
Operating profit [(1)]	62.7	(12.5)
Non-cash expenses:		
Depreciation and amortization	154.8	152.7
Impairment test	75.2	57.3
Other operating expenses [(1)]	34.3	16.1
Non cash income(loss) [(1)]	(12.6)	(1.1)
Changes in working capital	(24.3)	(5.5)
Corporate income tax	(81.1)	(39.0)
Net Cash from Operating Activities	**209.0**	**168.0**
Capital expenditures [(1) (2) (3)]	(283.0)	(76.9)
Long term loans and receivables [(2) (4)]	0.1	0.8
Investments [(2) (5)]	(165.6)	(0.2)
Net Cash Used in Investing Activities [(1)]	**(448.5)**	**(76.3)**
Issuance of 9.25% bond	226.0	
Net change in financial debt [(6)]	(6.1)	74.8
Net change in other bank loans	43.8	(17.8)
Dividends	(6.5)	(5.9)
Net change in other debt and contingent payments [(1) (7)]	34.9	(23.5)
Net investment in treasury shares	0.1	(0.1)
Interest income	3.6	1.9
Interest expense	(107.5)	(84.5)
Net cash effect of exchange rate changes	1.7	(9.8)
Net Cash used in Financing Activities	**190.0**	**(64.9)**
Effects of exchange rate fluctuations [(8)]	**(1.4)**	**(9.0)**
Net Change in Cash Position	**(50.9)**	**17.8**
Reconciliation		
Cash at beginning of period	135.7	84.8
Cash at end of period	84.8	102.6
Change in cash position	(50.9)	17.8

(1) Cash Flow at December 2012 was restated as a result of Restatement of 2012 Consolidated Accounts.

(2) Reflects accrued amounts, including any related contingent payments. Financing of deferment of these investments are recorded under "Net change in other debt and contingent payments".

(3) Capital expenditures primarily consist of investments to maintain or improve the quality of our facilities, to build out and equip our premises, to purchase new gaming machines and to make exclusivity payments to site owners in connection with contracts to install our machines in their establishments, and to renew the licenses.

(4) Includes loans to site owners and other loans.

(5) Includes the amounts committed to acquisitions. Cash from entities acquired is reported under Net change in other debt and contingent payments.

(6) Includes our Senior Credit Facility, 50% of bonds issued by Hipica Rioplatense Uruguay ("HRU"), one of our Uruguayan affiliates.

(7) Reflects movements in temporary financial investments such as vendor financing for investments, contingent payments and the payment of deferred gaming taxes, expenses related to the bond issuances and the renewal of the Senior Credit Facility, and as of 2011, the cash at the entities acquired, at the time of the purchase,

(8) Includes the effect of exchange rate fluctuations in the conversion of balances to euro.

Cash Flow for the Year Ended December 31, 2013

Net cash from operating activities for the year ended December 31, 2013 was €168.0 million, a decrease of 19.6% with respect to the €209.0 million in 2012.

Net cash used in financing activities was €64.9 million. The principal drivers of which were as follows:

- A net increase of €74.8 million in financial debt associated with the increase in amounts drawn under the Senior Credit Facility of €76.6 million, and the regular amortization of the bonds issued by Hípica Rioplatense Uruguay for €1.8 million.

- Negative change in other debt and contingent payments of €23.5 million, consisting of a decrease in financial assets of €24.7 million and an increase of deferred taxes in Spain of €8.5 million, which was offset by a decrease in net debt with suppliers of €46.0 million, the payment of financing costs related to the renewal fees in Argentina of €1.4 million, and expenses associated to senior debt of €9.3 million. €46.0 million decrease in net debt with providers is explained by payments in Mexico, Spain, Argentina and Italy.

- The decrease in bank loans of €17.8 million is due to the repayment of loans in Argentina, Mexico, Panama, Spain and Italy, which offset new loans granted in Uruguay (Carrasco Nobile, mainly).

- Dividends paid to minority interests of €5.9 million, financial charges of €84.5 million, financial income of €1.9 million and a net negative effect of the variation of foreign exchange rates funds of €9.8 million (€23.8 million of negative differences and €14.0 million of positive differences).

  Regarding the cash used for capital expenditures, purchases were made for a total of €76.9 million, which include the cost of license renewals in Argentina of €12.9 million. €0.8 million were obtained in long-term loans consisting of: a net decrease of €0.4 million in outstanding loans to the owners of bars and restaurants in Spain (loans granted by €2.0 million, net of repayments of €2.4 million) and a decrease in outstanding loans to Italy AWP owners by €0.4 million (granted loans by €21.5 million and repayments of €21.9 million). €0.2 million was paid in the acquisition of an AWP operator in Italy.

The impact of fluctuations in foreign exchange rates on conversion of cash balances has resulted in a negative impact of €9.0 million.

During FY 2013 there has been an increase in cash and cash equivalents of €17.8 million.

Working Capital Requirements

The following table, which is derived from our consolidated cash flow statement under IFRS, sets forth movements in our working capital for the periods indicated:

	Year ended December 31,	
	2012	**2013**
	(unaudited)	
	(€ in millions)	
Variations in:		
Receivables	(2.6)	(1.7)
Inventories	(0.1)	0.6
Payables	(20.9)	(14.6)
Prepaid expenses	(1.6)	(0.1)
Deferred income	-	1.5
Deferred expenses	0.9	-
Other	-	8.8
Total	**(24.3)**	**(5.5)**

The operation of our various businesses, in the aggregate, is not working capital intensive. We manage our working capital requirements on a decentralized basis and have historically funded our working capital requirements through funds generated from our operating activities and from borrowings under our Senior Credit Facility.

During the periods under review, our working capital needs have been principally driven by payables related to our request for deferral of gaming taxes in Spain (negative variation of €1.8 million during 2013), variation in personnel cost provisions, variation in tax provisions in Mexico, payables in Argentina and receivables in our business in Carrasco Uruguay.

We anticipate that our working capital requirements in the foreseeable future will generally be stable. However, these requirements can fluctuate for a variety of reasons, including movements in receivables from clients of Codere Network, payables related to our request for deferral of gaming taxes in Spain, and exchange rate fluctuations.

Capital Expenditures and Investments

The following table sets forth our total capital expenditures, by geographical area and, based on management's estimates, divided between maintenance and growth capital expenditures for the period indicated. We generally classify capital expenditures as growth capital expenditures to the extent that they relate to increasing the number of slot machines in our portfolio, increasing the number of bingo seats in our gaming halls or otherwise expanding our business. Maintenance capital expenditures are capital expenditures that are not related to expanding our business.

	Year ended December 31	
	2012	2013
	(unaudited)	
	(€ in millions)	
Holding Company	2.3	0.4
Maintenance	2.3	0.4
Growth	-	-
Argentina(1) (2) (3)	148.2	24.6
Maintenance	138.5	15.9
Growth	9.7	8.7
Mexico(4)	196.8	7.4
Maintenance	24.1	7.0
Growth	172.7	0.4
Italy	23.0	12.0
Maintenance	13.7	8.0
Growth	9.3	4.0
Spain	28.6	12.7
Maintenance	15.0	8.5
Growth	13.6	4.2
Panama	7.0	0.8
Maintenance	6.8	0.7
Growth	0.2	0.1
Colombia	6.3	1.2
Maintenance	2.7	1.0
Growth	3.6	0.2
Uruguay	36.1	17.1
Maintenance	4.5	4.1
Growth	31.6	13.0
Brazil	0.2	0.1
Maintenance	0.2	0.1
Growth	-	-
Total Maintenance(1)	207.8	45.7
Total Growth	240.7	30.6
Total Capex (1)	448.5	76.3

(1) *Capex at December 2012 was restated as a result of Restatement of 2012 Consolidated Accounts.*

(2) €107.1 million related to the license renewals in Argentina in 2012.

(3) €12.9 million related to the license renewals in Argentina in 2013.

(4) €158 million related to the acquisition of 35.8%in ICELA.

We invested an aggregate amount of €524.8 million, during 2012 and 2013. Our investing activities during 2012 and 2013 included the following capital expenditures, long-term loans and receivables and investments:

	Year ended December 31,	
	2012	2013
	(unaudited) (€ in millions)	
Holding Company	2.3	0.4
Capital expenditures	2.3	0.4
Long term loans and receivables	—	-
Investments	—	-
Argentina(1) (2) (3)	148.2	24.6
Capital expenditures(1) (2) (3)	148.2	24.6
Long term loans and receivables	—	-
Investments	—	-
Mexico(4)	196.8	7.4
Capital expenditures	38.8	7.4
Long term loans and receivables	—	-
Investments (4)	158.0	-
Italy	23.0	12.0
Capital expenditures	14.6	12.2
Long term loans and receivables	0.8	(0.4)
Investments	7.6	0.2
Spain	28.6	12.7
Capital expenditures	29.5	13.1
Long-term loans and receivables	(0.9)	(0.4)
Investments	-	-
Other	49.6	19.2
Capital expenditures	49.6	19.2
Long-term loans and receivables	-	-
Investments	-	-
Total capital expenditures	283.0	76.9
Total long-term loans and receivables	(0.1)	(0.8)
Total investments	165.6	0.2
Total cash invested	448.5	76.3

(1) Capex at December 2012 was restated as a result of Restatement of 2012 Consolidated Accounts.

(2) €107.1 million related to the license renewals in Argentina in 2012.

(3) €12.9 million related to the license renewals in Argentina in 2013.

(4) €158 million related to the acquisition of 35.8%in ICELA.

The current policy of Capex continues to focus on strategic needs that may have a direct impact on revenues or in projects that generate returns in the short term. The company is making a positive effort to ensure all business initiatives continue despite of headquarters liquidity stress.

We expect to invest approximately €61.0 million in our existing businesses during the course of 2014, mainly in Mexico €19.5 million, in Argentina €13.4 million and in Spain €12.3 million. €45.2 million of investments will be associated with machine renewals and gaming hall refurbishments mainly in Mexico and Argentina while €15.5 million will be allocated to growth projects as launch of sports betting in additional regions in Spain and new halls in Mexico.

Our actual capital expenditures for 2014 may be less than or exceed these amounts. In particular, our actual capital expenditures may be affected by changes in foreign exchange rates, decisions we make to undertake potential investments, or acquisitions that we are currently considering or will consider in the future. We expect that these capital expenditures will be funded primarily through cash from operations and bank borrowings under our existing credit facilities.

Contractual Obligations

We have numerous contractual commitments providing for payments relating to warehouses and office facilities, equipment leases, automobile leases and payments to site owners and certain AWP machine operators with whom we enter into collaboration agreements in our AWP machine businesses. We also have, and will continue to have, payment obligations pursuant to our outstanding borrowings.

Our consolidated contractual obligations as of December 31, 2013 were as follows:

	Payments due by period			
Contractual Obligations	**Total**	**Less than 1 year**	**1-3 years**	**After 4 years**
		(unaudited) (€ in millions)		
Long-term debt[1]	1,080.7		858.1	222.6
Other long-term debt[2]	57.2	—	39.1	18.1
Short-term debt[3]	165.4	165.4	—	—
Capital lease agreements (short-term) [4]	17.4	17.4	—	—
Other obligations (short-term) [5]	85.7	85.7	—	—
Purchase obligations (trade accounts payable) [6]	130.6	130.6	—	—
Total contractual obligations	1,537.0	399.1	897.2	240.7

(1) Includes the Notes and the HRU bonds (€966.6 million and €11.4 million) and long-term payables to credit entities (€102.7 million).

(2) Consists mainly of the deferred portion of the purchase price of AWP operators in Spain (€5.6 million), long-term payments of exclusivity rights in Spain (€2.5 million), long-term financial leasing (€7.1 million) and long-term payables related to our request for deferral of gaming taxes.

(3) Includes the accrued and unpaid interest on the Notes of (€41.5) million, the principal and accrued and unpaid interest on the HRU bonds of (€1.6 million), plus bank loans in Mexico (€16.2 million), Panama (€4.1 million), Uruguay (€3.7 million), Italy (€2.3 million), Colombia (€0.5 million) and Spain (€0.1 million) The Senior Credit Facility (€95.4 million) is included.

(4) Includes short-term capital lease agreements.

(5) Other short-term obligations include deferred gaming taxes in Spain relating to the AWP business (€33.6 million) and exclude short-term capital lease agreements.

(6) Includes trade accounts payable.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet entities and do not utilize significant off-balance sheet arrangements.

Effects of Inflation

Our performance is affected by inflation to a limited extent. In recent years, the impact of inflation on our operations in Italy and Spain has not been material. However, our international operations, particularly those in Latin America, are subject to relatively high inflation rates.

Market and Credit Risks

We are primarily exposed to market risk from changes in interest rates and foreign currency exchange rates. We manage our exposure to these market risks through our regular operating and financing activities. Financial instruments that potentially subject us to credit risk consist of cash investments, remaining debt owed to us by Grupo Caliente and trade receivables. We maintain cash and cash equivalents with financial institutions in Spain with high credit standards.

Interest Rate Risks

We are subject to interest rate risks related to our borrowings. Borrowings under the Senior Credit Facility are principally in euro with floating interest rates based on EURIBOR or LIBOR. We do not currently hedge our interest rate exposure and do not expect to do so in the future. See Note 3 to our audited consolidated annual accounts for the year ended December 31, 2013 for additional information on interest rate risks and a sensitivity analysis on such risks.

Foreign Currency Risks

Our principal exchange rate exposures relate to the euro-Mexican peso and euro-Argentine peso exchange rates for translation related exposure. We also have translation related exposures arising from our operating revenue generated in the local currencies of Colombia, Brazil and Uruguay (the Colombian peso, Brazilian real and Uruguayan peso, respectively) and to the U.S. dollar in Panama where the U.S. dollar is the functional currency. We also have currency translation related exposure relating to the U.S. dollar-euro exchange rates, particularly in Mexico, where certain costs, in particular gaming machine rental costs, as well as the management services agreement with Legacy Caliente, and the outstanding obligations from the Caliente Restructuring are denominated in U.S. dollar-denominated or referenced to the U.S. dollar. The issuance of the Dollar Notes on February 8, 2012 increased our exposure to the U.S. dollar-euro exchange rates, given that the Dollar Notes are U.S. dollar-denominated. For a more detailed discussion of foreign currency risks, see Note3 and Note20 to our audited consolidated annual accounts as of and for the year ended December 31, 2013.

In order to mitigate part of the foreign exchange risk to which we are subject, in prior years we entered into hedge agreements to cover sales for an amount approximately equivalent to 50% of projected EBITDA from our Argentine operations on a rolling four-quarter basis. The hedges consist of forward purchases of foreign currency (local currency to U.S. dollar or euro, and on certain occasions, U.S. dollar to euro). The application of the policy takes into account our expectations of the amount of funds we expect to upstream, the amount of euro or U.S. dollar commitments we have, the currency these are denominated in, and our expectations about U.S. dollar and euro currency market movements. Our Argentine peso foreign exchange forward contract that matured during 2012 amounted to a net loss of €3.8million in 2012. We did not have any Mexican peso foreign exchange forward contracts in 2012. The realized losses have been recorded as other operating revenue in our Argentine business.

BUSINESS

Overview

We are a leading gaming company engaged in the management of gaming machines, machine halls, bingo halls, horse racing tracks, casinos and sports betting locations in Latin America, Italy and Spain. As of December 31, 2013, we managed 54,010 gaming machines, 179 gaming halls (including machine halls, bingo halls with machines, machine halls at racetracks and casinos), 1,568 sport betting locations and four horse racing tracks. In 2013, we generated operating revenue of €1,546.7 million and EBITDA of €206.1 million.

In Argentina, we believe we are the largest operator of gaming halls in the Province of Buenos Aires with 14 gaming halls in which we operated 6,282 slots and other gaming machine seats and 11,405 bingo seats as of December 31, 2013. In 2013, our business in Argentina generated operating revenue of €584.7 million and EBITDA of €110.8 million.

In Mexico, through ICELA and Legacy Caliente, as of December 31, 2013, we were the largest operator of gaming sites with 82 gaming halls in which we operated 16,970 gaming machine seats (these figures exclude seven gaming halls that are currently closed, see " Factors Affecting the Comparability of Our Results of Operations"). As of December 31, 2013, we also operated 73 sports betting locations, and, through ICELA, we operated a 52 hectare gaming complex in Mexico City that included the Las Americas racetrack, an amusement park and the largest convention center in Mexico. As of December 31, 2013 we held licenses to build and operate an additional 53 gaming halls. In 2013, our business in Mexico generated operating revenue of €382.4 million and EBITDA of €78.6 million.

In Italy, we believe we are one of the leading gaming hall operator with 13 gaming halls as of December 31, 2013 in which we operate VLT and AWP machines and offer bingo. We also operate AWP machines in non-specialized locations, such as bars. As of December 31, 2013, we operated 7,181 AWPs, 1,193 VLTs and 5,775 bingo seats, and 16,571 gaming machines (which include the ones operated by us and by other operators) were connected to our network in Italy. In 2013, our business in Italy generated operating revenue of €259.7 million and EBITDA of €21.4 million.

In Spain, we believe we are the second largest operator of AWP machines with 11,070 machines located in over 7,775 bars, restaurants, machine halls and one gaming hall as of December 31, 2013. The gaming hall we operate is the Canoe gaming hall in Madrid, which features a bingo venue, AWPs and sports betting services. In total, we operated 1,395 sports betting locations in Spain as of December 31, 2013. In 2013, our business in Spain generated operating revenue of €151.6 million and EBITDA of €17.0 million.

Our Other Operations, which generated operating revenue of €168.3 million and EBITDA of €16.2 million in 2013, include (i) 12 gaming halls (including 11 casinos and a machine hall at the racetrack), one racetrack and 66 sports betting locations in Panama, (ii) 51 gaming halls, including five casinos, in Colombia,(iii) two joint ventures in two horse racing tracks, six gaming halls (including Casino Carrasco) and 27 sports betting locations in Uruguay and (iv) seven sports betting locations in Brazil.

In 2013 we launched our Mexican online gaming site under the name Greenplay. We had licensed online business in Spain with no significant revenue and we have discontinued our online operation in Italy.

The following table sets forth the number of gaming machines (AWP, slot machines and VLTs), gaming halls and other gaming facilities we operated as of December 31, 2013 and the contribution of each of our businesses to our consolidated operating revenue and EBITDA (in each case, before corporate headquarters revenues and expenses) for 2013.

	Gaming machine seats	Gaming Halls	Betting Locations	Horse Race Tracks	Revenue	EBITDA	Percent of EBITDA
					(unaudited) (€ in millions)		
Argentina	6,282	14	—	—	584.7	110.8	*45.4%*
Mexico	16,970	82	73	1	382.4	78.6	*32.2%*
Italy	8,374	13	—	—	259.7	21.4	*8.7%*
Spain	11,070	1	1,395	—	151.6	17.0	*7.0%*
Other Operations:							
Panama	3,225	12	66	1	90.3	14.6	*6.0%*
Colombia	5,932	51	—	—	34.0	3.6	*1.5%*
Uruguay	2,157	6	27	2	41.1	(1.2)	*(0.5)%*
Brazil	—	—	7	—	2.9	(0.8)	*(0.3)%*
Total	**54,010**	**179**	**1,568**	**4**	**1,546.7** (1)	**244.0** (1)	*100.0%*

(1) Revenue and EBITDA do not reflect revenues and expenses relating to corporate services provided to each of our four principal businesses and Other Operations by our Group headquarters (€0.0) million and (€37.9) million), respectively for 2013.

History

Codere, S.A. was founded in 1980 by the Martínez Sampedro family, Jesús Franco and Joaquín Franco. At that time, Jesús Franco, Joaquín Franco and the Martínez Sampedro family had established businesses in the operation and distribution of non-prize entertainment games, such as flipper and pinball. These businesses formed the basis of what is now the Codere Group. Codere, S.A. began AWP operations in 1981, mainly in Madrid, and grew rapidly. In 1983, we began our expansion outside Madrid by adding operations in the Spanish regions of Catalonia and Valencia and in the following year, we commenced AWP machine operations in Colombia. As the Spanish AWP market began to mature, we continued our strategy of expansion in Latin America, including Argentina in 1991 and Mexico in partnership with Grupo Caliente in 1998, diversifying into bingo, sports betting and casinos. We have also grown our operations in Europe and in 2006 we acquired Rete Franco, one of the ten government concessionaires for the provision of AWP network services in Italy. Our growth has been mainly through acquisitions or the development of new gaming licenses.

To finance the latest stages of this growth, we issued euro- and dollar-denominated notes, including several taps, in an aggregate amount of €760 million and U.S.$300 million (from 2006). With the proceeds of these issuances, we acquired over the years Grupo Royal in Argentina and Operbingo in Italy, as well as other small operators. We also conducted an IPO in October 2007 and acquired a 49% interest in ICELA with the proceeds of the IPO.

In 2006, the Martínez Sampedro family entered into an agreement to purchase Jesús and Joaquín Franco’s stake in Codere, S.A., becoming the majority shareholders.

In 2008, we launched sports betting businesses in Madrid and the Basque region and sold the direct AWP machine operations and the sports betting joint venture in Italy.

In 2010, we issued €100 million aggregate principal amount of Euro Notes and we purchased six casinos in Panama, one gaming hall and an AWP operator in Italy and we entered into the Caliente Restructuring, pursuant to which we acquired a majority stake in the Joint Opcos, which held an aggregate of 46 gaming licenses in Mexico in March 2011. We also launched online gaming operations and began the installation of VLTs in Italy and launched sport betting operations in Navarra, Spain.

In 2011, we completed the Caliente Restructuring, acquired two AWP operators (Gap Games and Gaming Re) in Italy and launched sports betting operations in Aragón, Spain.

In 2012, we issued U.S.$300 million aggregate principal amount of Dollar Notes, we completed the purchase of a 35.8% stake in ICELA, thereby increasing our stake to 84.8%. We also obtained a license for on-line gaming in Spain, launched sports betting operations in Valencia, Spain, acquired Dalla Pria, an AWP operator in Italy, and renewed five licenses in Argentina.

In 2013, we launched sports betting operations in Galicia and Murcia (Spain), we opened the Carrasco Hotel and Casino in Uruguay and we renewed an additional license in Argentina.

In 2014, we launched sports betting operations in Castilla La Mancha, Spain.

Recent Developments

Temporary closure of halls in Mexico in 2013.

In ICELA, three of our halls remain closed by actions of local authorities: Cumbres and Valle Oriente since February 27 and Sendero since March 13. In Legacy Caliente, four halls have been closed (Tuxtla since January 30, and Jacales, Gonzalitos and Valle Oriente since February 27). The hall Zapopan, which was closed at the beginning of the year due to security reasons, was definitely closed in December of 2013. The company is taking all necessary steps towards the reopening of the gaming halls.

Article 5 bis.

On January 2, 2014, and as a result of the short term liquidity projections and the financial context of the company and taking into account the incoming maturities, the Board of Directors of Codere S.A decided to search for the protection that Article 5bis of the Spanish Insolvency Law provides to the administration of the Company in order to ensure the continuity of operations and to grant a legal framework to facilitate the negotiations. Simultaneously, the Company continued negotiating with the Bondholders in order to reach an agreement on the financial structure of the company that grants its viability for the future.

Additionally, last February 7, 2014 the holding companies of Codere´s Group, Codere America, S.A.U., Colonder, S.AU., Nididem, S.L.U., Codere Internacional Dos, S.A.U. and Codere Internacional, S.L.U., presented the communication defined in article 5 bis of the Spanish Insolvency Law at the Mercantile Court of Madrid.

Euro bond coupon payment.

On January 14, 2014, Codere, S.A. issued a Relevant Fact statement notifying that the grace period notified on 12 December 2013 had elapsed and on the basis of the Company's circumstances and the negotiations under way, the decision of the Company was not to provide Codere Finance Luxembourg, S.A. with the necessary funds to pay the interest due on the bonds in euro maturing in 2015, and therefore such interest payment was not attended and it is due.

Dollar bond coupon payment.

On 18 March 2014, Codere, S.A. issued a Relevant Fact statement notifying that the grace period notified on 14 February 2014 had elapsed and on the basis of the Company's circumstances and the negotiations under way, the decision was not to provide Codere Finance Luxembourg, S.A. with the necessary funds to pay the interest due on the bonds in dollars maturing in 2019, and therefore interest payment was not attended and it is due.

These constitute default events which entitles the Bondholders to accelerate redemption of all bonds issued by the Group. At the date of these consolidated financial statements, the Company has not received any notification concerning the accelerated redemption of bonds by their owners.

Negotiations with creditors in order to restructure the Company´s debt.

Since July 2013, the Company has engaged in constructive conversations with Bondholders, Senior Lenders and their financial advisors with the objective of reaching an agreement that defines a financially sustainable capital structure that will enable value creation for the Company in the future. Several proposals have been exchanged since then. On the 17th February 2014, the Company made public a letter addressed to the Bondholders' representatives in connection with the so-called "final offer" sent to Codere, S.A. by the bondholders on February 2nd, 2014. It explained the reasons why Codere's Board of Directors considered this proposal could not be accepted because it included changes in the ownership of the equity and therefore it should be target to the shareholders of the Company.

On March 20th, 2014 the Company received a new "Restated Final Offer" from the Bondholders that adjusted the previous offer to accommodate for the changes introduced by Royal Decree-Law 4/2014 on the Spanish Insolvency Act. Once again, Codere's Board of Directors issued its answer through a relevant fact on March 28, 2014 highlighting that Codere does not require an injection of €400 million bearing an unreasonably high cost but a significant haircut on the overall debt that will ensure the future viability of the Company. The Board formulated an alternative proposal based on a Zero Coupon bond with the option to convert part of the debt into a new bond issuance of 250 million Euro, 8% Cash Pay interest and maturity date on June 30th, 2019 (5 years), at a conversion ratio as for the old bonds of 2 old bonds for 1 new bond.

Last April 30th, 2014 the Company reported that conversations continue with the support of our different advisors in order to reach an agreement and that three standstill agreements were subscribed with all Lenders of the Senior Facilities and a significant majority of the representatives of the Euro and Dollar denominated bonds to grant a 10 day standstill period. On May 12th, May 14th, May 21st and May 23th, additional standstill agreements were signed, being the last one up to May 27th.

Changes in Taxes.

As a result of the implementation of the 2013 Stability Law, as published in the Official Bulletin on December 29, 2012, effective January 1, 2013, the gaming tax (PREU) on VLTs in Italy increased from 4.5% of amounts wagered in 2013 to 5% in 2014. In the case of the AWPs, the PREU tax increased from 11.8% of amounts wagered in 2012 to 12.7% in 2013 pursuant to decree issued by AAMS in November 2011.See "—Litigation—Other Litigation and Disputes—Italy—AAMS Litigation".

As part of the 2013 budget approved by the Province of Buenos Aires in the fall of 2012, the gross revenue tax applicable to our operations was increased from 8% to 12% effective January 1, 2013. In our operations, the gross revenue tax is applied to the net win, less gaming tax and payment to the non-profit organizations.

Our Competitive Strengths

We believe that the following factors contribute to our strong competitive position:

- ***Leading Positions in Major Markets.*** We have been a first mover in targeting local resident populations in all of our major markets and now enjoy leading positions in most of these markets. We have been present in Argentina since licenses were originally awarded to operate bingo halls in the early 1990s in the Province of Buenos Aires, and we are currently the largest operator of gaming halls in that market. With 14 out of 46 gaming halls, we represent approximately 48% of the market in the Province of Buenos Aires in terms of gross win. In Mexico, where we also helped to create and develop the market since 1998, we are the largest operator of gaming halls. In Italy, we operate 13 gaming halls and we believe we are among the three largest operators of gaming halls in that market. We believe we are the second largest operator of AWP machines in Spain, with 11,070 AWP machines in 7.775 points of sale, including bars, machine halls and one gaming hall, as of December 31, 2013. In Panama, we operate 12 casinos, making us the leader in the casino market.

- ***Large and Diversified Multinational Gaming Operator.*** Our size affords us a competitive advantage with respect to the procurement of gaming machines, which are sourced from many of the same suppliers across our operations. In addition, our geographic diversification allows us to share best practices among our operations and enables us to anticipate industry, regulatory and technology trends in one market enhanced by our experience in other markets. Geographic diversification also provides us with a balanced portfolio, reducing our dependence on any given market.

- ***Significant Experience Operating Diverse Gaming Products.*** Since becoming one of the first companies to operate AWP machines in bars in Spain in the early 1980s through our present operation of gaming halls, racetracks and betting locations in eight countries in Latin America and Europe, we have evolved into one of the most diversified and experienced international gaming operators. During this time, we have developed significant expertise in managing a wide variety of products and have thus benefited from an industry trend towards the concentration of different gaming activities, including gaming machines, paper based bingo, horse races, sports betting and table games on the same premises. For example, in recent years, in Spain the regions of Madrid, Aragón, Galicia and Murcia allowed sports betting machines in gaming halls in 2006, 2011,and 2013 respectively, and the Basque region, Navarra, Valencia and Galicia allowed sports betting machines alongside AWP machines in bars in 2005, 2010, 2011 and 2012, respectively. Italy also permitted the installation of VLTs in bingo halls in 2010. Our expertise allowed us to respond swiftly to these regulatory changes and generate revenue.

- ***High Standards of Transparency and Significant Experience Operating in Regulated Gaming Markets.*** As one of a limited number of companies in our industry that is publicly traded, we are subject to high standards of transparency and integrity in the markets in which we operate, including with respect to compliance, money laundering, handling of cash, large prize payouts and transaction authorization. We voluntarily follow the compliance standards of the Nevada Gaming Commission and have undertaken various other “best practices” initiatives for Spanish publicly traded companies. We have also implemented compliance policies required by EU Directive 2005/60/EC on money laundering. A high degree of transparency is particularly important in the gaming industry because it is heavily regulated and key players in the industry, such as regulators and machine suppliers, demand high standards and seek to limit the opportunities available to companies that do not comply with such standards. In addition, we have acquired valuable experience complying with regulatory requirements and tax regimes in a diverse range of countries and regional jurisdictions. In several cases, we have collaborated with gaming regulators in the development of new gaming regulations or markets. We believe that our strong market positions and close and cooperative relationships with gaming regulators and tax authorities provide us with a competitive advantage over most of our competitors and make us an attractive partner (for both regulators and competitors) with whom to develop new gaming businesses.

- ***Favorable Demographics and Economic Conditions in Latin America.*** With the exception of Argentina, Latin American economies in which we are present exhibit compelling growth prospects, sound macroeconomic conditions and expanding buying power of the consumer sector in general. There is potential for disposable income expansion as regional economies grow and consumer financing alternatives expand, which generally results in increased demand for entertainment products, such as gaming. We believe that for income levels in the U.S.$10,000-20,000 bracket, as is the case in the Latin American countries where we operate, increases in disposable income lead to increases in gaming expenditure. The confluences of favorable factors throughout the region, including growth in our target demographic markets, offer an opportunity of profitable growth and the ability to serve an ever-increasing number of customers.

- ***Experienced Management Team and Board of Directors.*** Our senior management team has extensive industry experience and our Board of Directors includes prominent individuals with extensive government and gaming expertise. Our Chief Executive Officer, José Antonio Martínez Sampedro, was a co-founder of Codere and has overseen the growth of our company from several dozen AWP machines in Spain to a geographically diversified operator with a broad gaming product offering. Luis Javier Martínez Sampedro, the brother of José Antonio Martínez Sampedro and a member of our Board of Directors, is head of our Latin American operations and has been with us for more than 25 years. In addition, our key operations in Mexico, Argentina, Italy and Spain are managed by executives with extensive gaming industry experience and proven track records of success in related or complementary industries. Our Board of Directors includes José Ignacio Cases Mendez, who served as the head of the Spanish National Gaming Commission from 1994 to 1998, Joseph Zappala, who served as U.S. Ambassador to Spain from 1989 to 1992 and has interests in the gaming sector in the United States, and José Ramón Romero Rodríguez, who has been our external legal counsel since July 2002 and has specialized in gaming legislation since 1978. Their government and gaming experience is important to our ability to establish and maintain good relationships with regulators in the markets in which we operate, which we believe serves to distinguish us from our competitors.

Our Strategy

Our goal is to maximize the cash flow generation and profitability of our businesses, expand selectively in certain of our existing markets, pursue regulatory improvements in all of the markets in which we operate, and enhance the efficiency of our operations through cost reduction initiatives and taking advantage of new products and technologies. The key elements of our strategy are:

- ***Leverage Strong Positions in our Principal Gaming Markets.*** We intend to continue to consolidate and build on our leading positions in our core markets.

  - *Mexico*. We plan to continue to integrate our ICELA and Legacy Caliente operations to achieve improved efficiency and consistency in our Mexican business in the face of increasing competitive pressure. Our ability to optimize our Mexican operations is currently partially constrained by certain contractual provisions that restrict our ability to use our existing brands and to pursue the integration of the betting business into our Spain-based platform, as well as by certain minority protection clauses contained in the bylaws of each of the Caliente Holdcos and ICELA. See "Risk Factors—Risks Related to our Business and Industry—Our joint venture, shareholder and operator agreements limit our influence over, and, in certain cases, the cash flow that can be derived from, certain of our businesses, and we are subject to certain agreements that limit our ability to pursue new gaming opportunities."

    In addition, we intend to continue to pursue our recently-launched low cost format strategy, which consists of developing smaller halls in periphery and downtown locations where we currently do not have a presence or where our presence is limited. We are also working with our core machine suppliers to develop low cost machines to match product cost to local yield per machine.

    Furthermore, we continue to support government efforts to regulate the gaming industry and to reduce illegal gaming and the number of unlicensed and "informal" operators for greater tax consistency and compliance in Mexico.

  - *Argentina:* Our strategy in Argentina is to increase our profitability through cost reduction initiatives while continue investing to upkeep our facilities as machines and technology improve. In addition, we plan limited expansions or changes in the layout of certain of our busiest halls to accommodate new machines in order to meet peak time demand and better manage customer flow. Along those lines, we have deployed smoking clubs in certain of our halls and plan to continue doing so in 2014 as we got the related permits from regional and municipal authorities.

  - *Italy:* We do not plan significant changes in the scope of our Italian businesses. We expect to continue to grow our gaming network through adding new machines, including third-party machines and machines that we control through partnerships with local AWP operators. We expect to continue to pursue selective majority acquisitions of local AWP operators and potentially bingo halls where we are able to substitute existing machines with our VLTs.

  - *Spain*: Our strategy in Spain is to continue to integrate our AWP and sports betting operations including local logistics and commercial functions as well as our central administration, finance, marketing and product and business development departments. We expect this to allow us to reduce our infrastructure costs, facilitate the effective integration of our multi-product offering, and enable us to make our betting products available to other operators. We also plan to continue to invest in the deployment of sports betting products at third party venues, including self-service terminals at bars and specialized locations such as gaming arcades, as authorities enact enabling regulation in new regional markets.

- ***Focus on Regulated Local Gaming Markets.*** We will continue to focus on offering gaming activities targeted to the local resident population rather than tourist-oriented gaming markets, which requires investment in capital intensive Las Vegas-style casinos and gaming facilities. We believe that this focus limits required capital investment, and that these local market-oriented gaming activities generate significant tax revenue for the jurisdictions in which we operate, ensuring transparent regulation and political support for these gaming activities.

- ***Internet Activities.*** In constant collaboration with the public administration, we continue to provide consulting to regulatory bodies, licensee associations, payment providers, search engines and social media organizations, in terms of certification and providing general advice to ensure that the competitive environment guarantees the same legal and security standards for all i-gaming players. We believe that technological advances and regulatory changes will result in increasing convergence between online and offline products which will offer us the opportunity to leverage the 30 years of experience we have garnered operating a variety of gaming products and our relationship with local regulators in eight countries into the online gaming business.

  We have recently soft-launched greenplay.mx, an internet gaming portal in Mexico, that is a joint venture with the Salinas Group (which includes the national television broadcaster Television Azteca).

- ***Cost Cutting Initiatives.*** During 2013 significant efforts have been carried out to reduce our overhead and operating costs, in order to recover profitability (and margins) recently eroded by higher taxes and declining revenue in some markets- This effort has, among other efficiency gains, reduced headcount from 21,182 in January 2013 to 18,314 in December 2013. Excluding non-recurring items, the spread between Q4 2012 and Q4 2013 EBITDA margin would have been 0.2 basis points, which is the lowest in the year. We continue to deploy these efforts in 2014 while refocusing our goals to revenue generation. In addition, we continue to work with key suppliers to reduce the costs and improve the performance of products in each of the markets in which we operate, including by entering into revenue sharing agreements and by using lower cost technology alternatives.

- ***Revenue generation.*** The focus of our management efforts is progressively shifting from efficiency to revenue growth. We are already working in a number of initiatives, some local some global, targeted to enhance revenue growth in our markets. Some of these efforts are such as the international expansion of the Sports Betting platform built in Madrid, the deployment of new halls in Mexico, the enhancement of the player tracking technology and the marketing and promotional activities and the development of complementary online activities integrated with our physical business.

Argentina

In Argentina, we are focused on the development and management of gaming halls, in which the majority of the profitability is generated by the machines, but we also have a bingo business. As of December 31, 2013, our Argentina business owned and operated 14 gaming halls with a total of 6,282 slots and other gaming machine seats and 11,405 bingo seats. In 2013, our Argentine business generated operating revenue of €584.7 million and EBITDA of €110.8 million, representing 37.8% of our total consolidated revenues and 45.4% of our consolidated EBITDA (both before corporate headquarters revenues and expenses).

Operations

Through the combination of the operations we started in Argentina in 1991, and the acquisition of Grupo Royal in 2005, we believe we have become the industry one of the leaders in the bingo and the slot machine markets in the Province of Buenos Aires, each in terms of operating revenue in 2013.

The following table sets forth certain historical data concerning our Argentine business's operations:

	Year ended December 31,				
	2009	**2010**	**2011**	**2012**	**2013**
Number of gaming halls (at period end)	14	14	14	14	14
Number of slot machine seats (at period end)	4,679	5,043	5,279	5,856	6,282
Net win per slot seat per day (in Argentine peso)	989.5	1,223.4	1,559.4	1,717.9	1,740.8
Net win per slot seat per day (in euro)	189.8	236.2	270.2	293.5	238.7
Number of bingo hall seats (at period end)	8,308	8,991	9,517	10,533	11,405
Net win per bingo hall seat per day (in Argentine peso)	53.3	58.4	61.2	55.0	53.6
Net win per bingo hall seat per day (in euro)	10.3	11.3	10.6	9.4	7.3

The following table sets forth certain information regarding our Argentina business's gaming halls as of December 31, 2013.

Name	**Opening Date**	**Concession Expiration Date**	**Number of Bingo Seats**	**Slot Machine Seats**	**Revenues for 2013 (€ in millions) (1)**
Bingo San Martín	Oct. 1994	Oct 2024	1,766	940	85.1
Bingo Lomas del Mirador	July 2006	Sep. 2029	1,194	661	65.5
Bingo Lanús	Apr. 1992	April 2022	882	512	65.3
Bingo Platense	June 1992	June 2022	1,256	702	70.2
Bingo Morón	June 1998	June 2028	884	488	62.3
Bingo San Justo	Oct. 1999	Oct. 2029	928	510	51.4
Bingo San Miguel	May 1999	May 2029	1,086	585	56.2
Bingo Lomas de Zamora	July 1991	June 2021	586	326	38.1
Bingo Sol	Feb. 1991	June 2021	528	316	25.9
Bingo Ramos Mejía	Apr. 1999	Apr. 2029	808	440	39.6
Bingo del Mar	Sep. 1991	June 2021	830	434	21.6
Bingo Peatonal	Jan. 1991	June 2021	244	121	6.6
Bingo Temperley	Aug. 2001	Jan. 2031	214	129	4.2
Bingo Puerto	Jan. 1994	Jan. 2024	199	118	5.9
Total			**11,405**	**6,282**	**597.8**

(1) Revenues consist of net win for the machine and bingo products, food and beverage sales and other revenues, but exclude gains on the foreign exchange forward contracts.

All of the halls are located in the Province of Buenos Aires. Nine of our gaming halls are located in the surrounding areas of the City of Buenos Aires, the area referred to as Gran Buenos Aires. One is located in the capital city of the Province, La Plata, and four (Bingo Sol, Bingo Puerto, Bingo Peatonal and Bingo Mar) are located in the tourist city of Mar del Plata. The gaming halls have an average area of approximately 6.9 thousand square meters and are open 24 hours a day.

On November 29, 2012 the five gaming licenses for the halls that we operate in the Province of Buenos Aires, the original terms of which would have expired in 2013 and 2015, were renewed for 15 years from their original expiry date following the signing of individual agreements for each of these halls with the Instituto Provincial de Lotería y Casinos de la Provincia de Buenos Aires, or "IPLyC" (the gaming regulator of the Province of Buenos Aires).

The table below provides for each hall, the Resolution pursuant to which the relevant gaming license was granted and its expiry date:

Hall	Individual Resolution	Expiry Date
Moron	1788/12	June 11, 2028
Ramos Mejia	1789/12	April 9, 2029
San Miguel	1787/12	May 1, 2029
Lomas del Mirador	1785/12	September 30, 2029
San Justo	1786/12	October 14, 2029

As stipulated under Resolution 1078/12 and Decree 569/12 published in July 2012, the renewal of the five gaming licenses was subject to a fixed renewal fee of AR$614 million (equivalent to approximately €107 million as of August 29, 2012), which we began paying in August 2012 and finished paying in January 2013, and an AR$232 million (equivalent to approximately €40 million as of August 29, 2012) canon tax surcharge payable monthly over five years, beginning in September 2012.

Following these renewals, out of the 14 halls we operate in the Province of Buenos Aires, four have licenses which expire in 2021, two have licenses which expire in 2022, two have licenses which expire in 2024, one has a license which expires in 2028, four have licenses which expire in 2029 and one has a license which expires in 2031. The latter refers to Temperley, the smallest of our halls in the Province.

The following table sets forth certain information regarding our gaming licenses in Argentina.

Hall	**Original expiration**	**Renovation date**	**Renewal through**	**Up-front fee (in millions) (1)**		**Canon tax surcharge (in millions) (1)**	
				Ar$	**EURO**	**Ar$**	**EURO**
Mar	Sep. 2006	Mar. 2007	June 2021	14.3	1.6	33.4	3.8
Lomas de Zamora	July 2006	June 2007	June 2021	16.6	1.9	38.6	4.4
Sol	June 2006	Mar. 2007	June 2021	15.6	1.8	36.5	4.2
Peatonal	June 2006	May 2007	June 2021	5.7	0.6	13.4	1.5
Lanus.	Apr. 2007	May. 2013	April 2022	47.9	5.4	93.4	10.6
Platense	June 2007	May. 2013	June 2022	40.7	4.6	143.4	16.3
San Martín	Oct. 2009	May 2013	Oct. 2024	105.4	12.0	95.1	10.8
Puerto	Jan. 2009	May 2013	Jan. 2024	7.9	0.9	8.4	1.0
Morón	June 2013	Nov. 2012	June 2028	166.3	18.9	53.1	6.0
Ramos Mejía	Apr. 2014	Nov. 2012	April 2029	100.9	11.5	32.3	3.7
San Miguel	May 2014	Nov. 2012	May 2029	139.3	15.8	44.5	5.1
Lomas del Mirador	Sep. 2014	Nov. 2012	Sep. 2029	192.1	21.9	61.3	7.0
San Justo	Oct. 2014	Nov. 2012	Oct. 2029	140.2	15.9	44.8	5.1
Temperley	Aug. 2016	May 2013	Jan. 2031	13.4	1.5	6.1	0.7
TOTAL				1,006.3	114.5	704.3	80.1

(1) Data is calculated based on the exchange rate as of December 31, 2013 before HQ expenses.

Slot machines that are installed in gaming halls are similar to the Class III machines present in the United States. In addition, the Argentine gaming halls contain a limited number of non-slot gaming machines, such as a simulated roulette-type machine. These machines are regulated in the same manner as slot machines. In 2013, operating revenue generated from slot machines accounted for approximately 89.1% of our consolidated operating revenue in Argentina.

For our Argentine operations, we buy machines from a variety of U.S. and European manufacturers. We typically finance the purchase of slot machines in Argentina over 18- to 36-month periods. Each machine costs on average U.S.$25.000 (including duties, taxes and transportation costs).

The following chart sets forth the business model economics for our Argentine slot machine operations. This example is based on our 2013 accounts and for illustrative purposes only:

Net Box (Net Win) (100%)	Net box represents amounts wagered less prize payouts.
Less Gaming Taxes [1] (34%)	Gaming tax on slots
Less Nonprofit Organizations [1] (1.7%)	Nonprofit organizations represent the amount paid to such organizations that nominally hold the licenses
Less Gross revenue tax [1] (7.7%)	Calculated based on net winless gaming taxes and fees to nonprofit organizations
Equals Operator Revenues After Taxes and Nonprofit Organizations (56.6%)	Operator revenues after taxes and nonprofit organizations represent the percentage of amounts net win that we retain as the operator

(1) Included under Gaming and other taxes in our Income Statement

Bingo in Argentina is a pari-mutuel gaming activity whereby players wager against one another and not against the gaming operator. The gaming operator collects wagers on a specific event, and 58% of such wagers are distributed to the players in the form of winnings. The remaining percentage of wagers is distributed among the provincial authorities, the non-profit organizations and the gaming operator, within the percentages set forth in the regulations. Operational Systems

An operational system can be cash or cashless depending on whether the individual machines on a slot floor will or will not accept notes and/or coins. Slot machines in our businesses in Argentina, Panama, Colombia and Uruguay operate cash systems whereby the machines have bill acceptors. All of these machines, except those located in venues other than our casinos in the case of Colombia; also operate ticket-in-ticket-out transactional systems. These systems are designed to accept a card from the player that contains credit purchased at the cashier or received by inserting bills in the machine. The introduction of coinless systems increases the average net win per machine as it increases the productivity of the machine.

Player tracking systems and loyalty programs are the two basic tools for targeted promotion. Player tracking systems require identification (either by personal identification or by player identification) at the entrance of the hall in order to monitor slot-playing patterns, including frequency and duration of visits, machine trajectories within the hall and customer expenditure. Loyalty program members provide basic identification information, the exact content depends upon privacy regulations, and receive a loyalty card (bar-coded or chip) to collect points which can be exchanged for gifts, restaurant coupons, cash prizes, trips, and participation in members-only benefits. All of our businesses in Latin America have developed or implemented different versions of these systems from a variety of vendors including Bally, Electrochance, and Boldt. In addition, hall managers generally have a good knowledge of their frequent and high rolling clients.

Main Operating Projects

Our Argentine operations' principal operating projects are the continued general refurbishment and updating of our gaming halls and the implementation of additional smoking clubs. During 2013 we enlarged various of our halls (R. Mejía, San Miguel, San Justo, Platense and San Martin) renewing our slot machine portfolio to ensure that we have an attractive offer for our clients and to meet unmet demand in the geographical areas where we operate and we have also implemented smoking clubs in some halls (San Martín, Morón, Lanús and San Miguel) During 2014 we continue deploying smoking clubs in some of our gaming halls which is helping us to faster revenue growth. These smoking clubs comply with provincial and municipal regulations, having the appropriate approvals. We will deploy some more in the following months depending on each specific situation.

Competition

We entered the Argentinean gaming market in the early 1990s, when we opened the first bingo hall in the Province of Buenos Aires. At that time, the Province of Buenos Aires granted 46 bingo licenses for bingo halls that are still operating. The regulation that permits bingo operations also restricts the number of bingo halls to the original 46, limiting direct competition. As of December 31, 2013, we operated 14 gaming halls in the Province of Buenos Aires and estimate that 44.6% of the net wins from the slot machines and 71% of bingo businesses operated in the Province of Buenos Aires were attributable to us. Our main competitors in the Province of Buenos Aires are AGG, Golden Jack and Grupo Midas which have between three and four halls each.

The rest of the private gaming market in the Province of Buenos Aires is limited to government-owned casinos and racetracks. Casinos in the Province of Buenos Aires are generally restricted to tourist areas (with the exception of Casino del Tigre, which is located 50 kilometers from the City of Buenos Aires), and they have approximately 3,456 machines in aggregate. There are two racetracks in the Province of Buenos Aires, where slot machines are currently not allowed. In the City of Buenos Aires there is a casino in two boats operated by Cirsa and a local partner, Casino Club, and a racetrack with slot machines in the City of Buenos Aires, which is also operated by Casino Club.

Sales and Marketing

Argentine regulations limit the extent and manner by which we can advertise our gaming activities.

Mexico

Until June 30, 2010, we conducted our operations in Mexico through a management services agreement with Grupo Caliente, a joint venture with CIE (currently ICELA) as well as through the licensees Promojuegos and Mio Games. On July 1, 2010, the terms of the original management services agreement with Grupo Caliente were changed and we terminated the contract pursuant to which we constructed or refurbished halls and sold them to Grupo Caliente at cost. After COFECO approved the Caliente Restructuring, we began consolidating the operations acquired from Grupo Caliente and the Joint Opcos under the global method since April 1, 2011. We also consolidate by the global method our operations in Mexico through ICELA (until February 2012, our joint venture with CIE in which we now hold a stake of 84.8%). In 2013, our Mexican operations generated operating revenue of €382.4 million and EBITDA of €78.6 million, representing 24.7% of our total consolidated revenues and 32.2% of our consolidated EBITDA (both before corporate headquarters revenues and expenses). The development and management of gaming halls, where we manage or operate slot machines, and the bingo and sports betting are our most significant activities. As of December 31, 2013, our Mexico business operated 82 gaming halls in which we operated 16,970 slot machine seats and 73 betting locations. We also operate a 52-hectare gaming complex in Mexico City, which includes the Las Americas racetrack, an amusement park and the largest convention center in Mexico. As of December 31, 2013, we held licenses to build and operate an additional 53 gaming halls (26 in Legacy Caliente, 15 in ICELA and 12 in Recreativos Marina).

Mexico ICELA—Background and Operations

CIE is a leading live entertainment company that serves the Spanish- and Portuguese-speaking markets in Latin America, the United States and Spain. CIE has interests in companies that offer the following recreational and entertainment products and services: the operation of entertainment venues and amusement parks; the promotion and staging of a wide variety of live events; the promotion of trade fairs and exhibitions; the sale of sponsorships and advertising, as well as food, beverage and merchandise at events and venues; and automated ticketing for public events.

Since 1995, CIE's shares have been traded on the Mexican Stock Exchange under the symbol "CIE B". In 1998, a subsidiary of CIE, AMH, was awarded a 25-year concession to operate the Hipódromo de las Américas racetrack in Mexico City. In connection with this concession, AMH obtained permission to operate 45 off-track betting sites countrywide for a 25-year period and offer numbers-based games, at these locations. In May 2007, AMH's license was expanded to develop and operate an additional 20 halls in addition to the original 45 halls that it was licensed to operate.

We entered into a joint venture with CIE in March 1999 to develop and operate bingo halls and sports books in Mexico (the "original CIE Joint Venture"). The original CIE Joint Venture was operated through Entretenimientos Recreativos S.A. de C.V., in which our subsidiary Compañía de Inversiones Mexicanas S.A. de C.V. held a 50% interest less one share and CIE held the remaining 50% interest plus one share. Under the joint venture agreement, Entretenimientos Recreativos S.A. de C.V. received 98% of the net income generated by all of the joint venture's bingo halls and off-track betting activities and the remainder was divided between Compañia de Inversiones Mexicanas S.A. de C.V. and CIE.

In November 2007, we changed the nature of our relationship with CIE through the purchase of 49% of ICELA which resulted in a new joint venture. ICELA includes CIE's Las Américas division and holds certain gaming related assets previously held directly by CIE, including an exclusivity contract with IGT, which were contributed to ICELA in connection with the transaction. ICELA and its subsidiaries are the concessionaires of a 52-hectare gaming complex in Mexico City including the Las Américas horse racetrack, licenses to operate up to 65 gaming locations, including the existing locations, an amusement park and the largest convention center in Mexico.

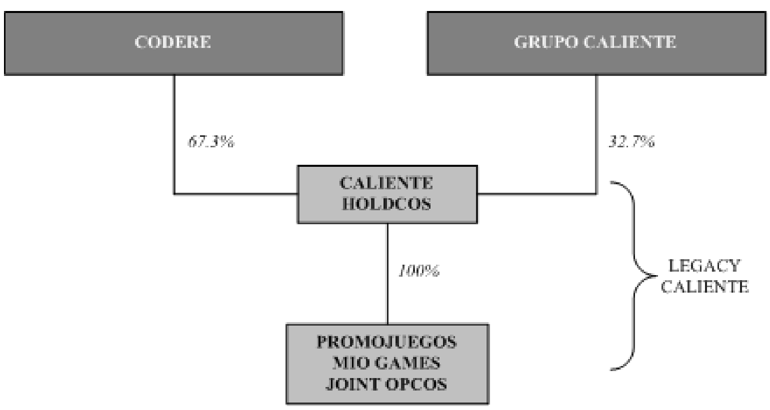
On February 8, 2012, we completed the purchase of a 35.8% stake in ICELA from CIE (the "ICELA Acquisition") for a purchase price of Mex. Ps. 2,653 million (equivalent to approximately U.S.$209.0 million and €158.0 million as of the date of closing of the acquisition) pursuant to a sale and purchase agreement with CIE (the "ICELA Acquisition Agreement"). The acquisition of the 35.8% stake was in addition to Codere Mexico's already existing 49% stake in ICELA. Pursuant to the ICELA Acquisition Agreement, we also acquired an option to purchase all of the remaining shares in ICELA from CIE at a price per share substantially similar to that for which we agreed to purchase the 35.8% stake in ICELA, subject to certain adjustments. We may exercise this option on or prior to June 30, 2014. In addition, as long as CIE maintains a stake of at least 5% in ICELA, for a period of one year beginning June 2014, CIE has the right to force an IPO of ICELA and to grant ICELA the right to purchase Codere Mexico's shares in the Caliente business.

Until January 31, 2012, we consolidated our stake in ICELA under the proportional method and, beginning February 1, 2012, we began consolidating 100% of ICELA in our financial statements. Since the ICELA Acquisition we have been actively working to achieve synergies between our ICELA and Caliente businesses to reduce corporate overheads and expenses. As of December 31, 2013, our Mexico business through ICELA operated 50 gaming halls.

In addition, our ICELA business includes betting operations where customers can bet on horse and dog races and on sporting events that occur principally in Mexico and the United States. Broadcasts of live horse and dog races or sporting events are available through a simulcast provided by Grupo Caliente and are displayed on televisions located in the off-track betting areas of the bingo halls. The ICELA business does not assume any financial risk for the bets placed at its off-track betting sites. The financial risk is assumed by Grupo Caliente as the ICELA business acts only as agent and collects a commission of approximately 75% of the amounts wagered less the prizes. Starting in late 2013, we are also deploying sports betting services provided by our platform in Spain. We expect to deploy these services in all ICELA halls during 2014.

Mexico Caliente—Background and Operations

The following chart shows a simplified summary of the corporate organization of our Mexico Caliente business:



Our previous management services agreement with Grupo Caliente focused on the development and management of bingo halls at its off-track betting sites. Grupo Caliente is owned by the Hank family, a prominent Mexican family whose members have held various political offices in Mexico over the past 30 years, including Jorge Hank, who was elected mayor of Tijuana in August 2004. Grupo Caliente is a Mexican company that started operations on January 1, 1916 with a horse racetrack in Tijuana, Mexico. Since 1950, Grupo Caliente has operated a greyhound track, with daily racing all year round. Grupo Caliente has developed a network of over 250 off-track betting sites located in Mexico as well as in Latin America. In connection with its license to operate the track, Grupo Caliente was awarded licenses to operate an approximately 90 off-track betting sites (46 of which are now owned by Codere), which are also authorized to include numbers based games, currently gaming halls, throughout Mexico. In May 1998, we entered into the management services agreement with Grupo Caliente to develop and manage bingo halls at Grupo Caliente's off-track betting sites. Grupo Caliente's licenses to operate the off-track betting sites and bingo halls expire between 2015 and 2018. Pursuant to the previous management services agreement with Grupo Caliente, as of June 30, 2010, our Mexico Caliente business operated 49 halls and no sports books.

Under the previous management services agreement, Codere Mexico identified locations for the halls, negotiated leases, constructed or refurbished the halls, provided equipment, trained all hall employees, and provided managers for the halls. Grupo Caliente owned the licenses and the halls and paid the salaries of the hall managers. Upon completion of the construction of a hall, Codere Mexico sold the hall to Grupo Caliente at cost, fixed in U.S. dollars at the time of transfer. Grupo Caliente repaid Codere Mexico the construction or refurbishment costs of bingo halls over a five-year period in 60 equal monthly payments in U.S. dollars.

On March 9, 2011, COFECO, the Mexican competition authority, approved the Caliente Restructuring, which was consummated on March 31, 2011. Consequently, the Caliente Holdcos, the Joint Opcos, Promojuegos and Mio Games are consolidated in our financial statements from April 1, 2011 for income statement purposes and March 31, 2011 for balance sheet purposes reflecting Grupo Caliente's stake in each of these entities as non-controlling interests.

Following the consummation of the Caliente Restructuring, Codere Mexico holds indirectly through the Caliente Holdcos a 67.3% stake in each of the Joint Opcos, Promojuegos and Mio Games with Grupo Caliente holding the remaining 32.7%. As of December 31, 2013, Promojuegos, Mio Games and the Joint Opcos held an aggregate of 46 gaming permits and operated 32 halls in Mexico. The previous management services agreements with Grupo Caliente have been terminated. On July 16, 2010 (with retroactive effect as of July 1, 2010), Codere Mexico and the Joint Opcos entered into new management services agreements pursuant to which the Joint Opcos pay Codere Mexico an aggregate maximum annual fee of U.S.$36.4 million through the end of 2014. In connection with the new management services agreements, Codere Mexico provided transitional assistance services to the Joint Opcos for an aggregate monthly fee of U.S.$1.0 million until December 31, 2010.

In addition, Codere Mexico entered into management services agreements with Promojuegos and Mio Games pursuant to which these companies pay Codere Mexico an aggregate maximum annual fee of U.S.$7.6million through the end of 2014. The management services fees are payable on a monthly basis and account as intercompany transactions. In addition, pursuant to the Caliente Restructuring, Codere Mexico extended a revolving credit facility to the Joint Opcos to finance the payment of certain liabilities to third parties. As of December 31, 2013, the total amount due from Legacy Caliente under the management services agreements and the revolving credit facility granted by Codere Mexico, was U.S.$308 million.

Pursuant to the Caliente Restructuring, Codere is entitled to receive 100% of the dividends from Legacy Caliente until all the obligations that were owed to Codere at the time of the restructuring are repaid in full. In the second quarter of 2012, €29.6 million remained on our balance sheet as debt from the Caliente Group, which was to be repaid from dividends from Legacy Caliente. In the second quarter of 2012 we wrote-off this €29.6 million because the assessed net present value of the dividends is very low compared to the amount of the outstanding debt, principally due to the fact that the Joint Opcos must first satisfy the payments due under the management services agreement and service the credit facility loan granted by Codere Mexico (see "*—Factors Affecting the Comparability of our Results of Operations- Write offs in Legacy Caliente Business"*). Cash flows from the Joint Opcos must first be paid to Codere Mexico, S.A. de C.V. as service agreements, loans and a credit line. The provision amounts to €28.4 million at 31 December 2013.

Recreativos Marina—Background and Operations

Recreativos Marina S.A. de C.V. ("Recreativos Marina") is a company we established in 2006, which submitted an application for a gaming license from the Secretaria de Gobernación, the Mexican gaming authority, in the same year. The application went through a protracted legal process, including litigation, which ultimately resulted in Recreativos Marina being awarded 14 permits to establish gaming halls, plus an authorization to install gaming terminals in other locations. Following the granting of the permits, and mainly resulting from the redefinition of the geographic reach of these permits, the number of permits was modified from 14 to 12. As of March 31, 2014 we have paid U.S.$ 6.5 million and will pay a further U.S.$0.7 million over the next 18 months in connection with the proceedings and related legal fees.

Temporary Closure of halls in Mexico in 2013.

In ICELA, three of our halls remain closed by actions of local authorities: Cumbres and Valle Oriente since February 27 and Sendero since March 13. In Legacy Caliente, four halls have been closed (Tuxtla since January 30, and Jacales, Gonzalitos and Valle Oriente since February 27). The hall Zapopan, which was closed at the beginning of the year due to security reasons, was definitely closed in December. The company is taking all necessary steps towards the reopening of the gaming halls.

Operations

The following tables set forth certain historical and operating data for our gaming halls in Mexico:

	Year ended December 31,				
	2009 (1)	**2010 (1)**	**2011 (1)**	**2012**	**2013 (2)**
Number of gaming halls (at period end)	94	96	94	89	82
Number of slot machines seats (at period end)	17,421	19,299	19,571	19,222	16,970
Net win per machine per day (in Mexican peso)	883	881	842	877	752
Net win per machine per day (in euro)	47.0	52.9	49.0	51.8	44.3
Number of bingo hall seats (at period end)	13,266	12,574	13,430	12,825	11,833
Net win per bingo hall seat per day (in Mexican peso)	141	114	99	107	81
Net win per bingo hall seat per day (in euro)	7.5	6.8	5.8	6.3	4.8

(1) Data for 2009 and the first six months of 2010 have been adjusted to reflect only the operations included in the agreement we entered into with Grupo Caliente on July 16, 2010, pursuant to which we restructured our previous contractual relationship.

(2) Since January 1, 2013, net win per machine per day excludes freeplay as we believe it provides a more meaningful measure of net consumer spending. Free play represents a promotional tool which provides extra gaming time to costumer.

The following table contains a description of Codere's Mexican gaming permits:

Business Unit	**Permission**	**Date of Extension of Permits**	**Number of Permits**	**Geographic Restrictions**	**Term (date of expiry)**
ICELA............................	AMH	September 1997	65	X	September 2022
Legacy Caliente	Promojuegos	May 2005	10	✓(1)	May 2030
Legacy Caliente	Mío Games	May 2005	2	✓(1)	May 2030
Legacy Caliente	Libros Foráneos	May 1990	18	✓(1)	May 2015
Legacy Caliente	Operadora Cantabria	Several dates between October 1993 and December 1993	25	✓(1)	October to November 2018
Legacy Caliente	Operadora de Espectáculos Deportivos	June 1992	3	✓(1)	June 2017
Recreativos Marina	Recreativos Marina	July 2012	12	✓(1)	July 2037
Total	n.a	n.a	135	n.a	n.a

Source: Mexican Ministry of Interior(Secretaría de Gobernación)

(1) Although certain restriction apply to the relocation of the halls, these can be relocated with the approval of the Secretaría de Governación, the Mexican Ministry of Interior, a federal agency which has the exclusive power to regulate gaming, and the authorization of the local government.

The following chart sets forth the business model economics for our Mexican slot machine operations. This example is based on our 2013 accounts and for illustrative purposes only:

Net Box (Net Win) (100%)	Net box represents amounts wagered less prize payouts
Less Gaming Taxes (30%)	Gaming tax on slots levied by Federal government [(1)]
Equals Operator Revenues After Gaming Taxes (70%)	Operator revenues after gaming taxes

(1) At the state and local level, gaming taxes range from 0% to 12% of the value of net win. These state and local taxes, can be credited against the federal gaming tax up to an amount representing 6% of the federal gaming tax. Currently, there are disputes regarding the applicability of several of these state taxes (see "Litigation—Tax Contingencies—Mexican Tax Disputes").

The gaming halls in Mexico are located in large urban areas of Mexico, such as Mexico City, Monterrey, Guadalajara, Puebla and Cancun as well as in smaller cities. The majority of the gaming halls of ICELA are in Mexico City, the Federal District and in the metropolitan area in the State of Mexico, while Legacy Caliente has less gaming halls in this area. Most of the halls operate on a 16-hour schedule.

We and our partners have entered into agreements with leading suppliers of slot machines, including Bally Technology, Inc. and IGT. As of December 31, 2013, we had 16,970 gaming machines installed. In 2013, we estimate that operating revenue generated from gaming machines accounted for approximately 68% of the total operating revenue of all the Mexican businesses.

In Mexico we operate an entirely cashless system as the regulation forbids the use of machines that accept cash. Codere's customers in Mexico purchase credit at the hall entrance cask desk, and, through the use of a magnetic card, the funds are credited into their wallet account. By introducing the card into the terminal's reader, the customer transfers his account balance to the machine, and is able to play; once finished, the credit at the device is cashed out to the patron's electronic wallet account, so he can transit to another device and play on the same way. The system will keep track of the customer's credit balance and, on exit, the player can cash it out by simply presenting his card at the cashier desk, to get his money back. The magnetic card is used concurrently to feed the Player Tracking and Loyalty System, which is working on a multisite environment, registering the player's activity over the 83+ actual Mexican venues operation, in a single Loyalty file.

We also have soft-launched our Mexican online gaming site under the domain greenplay.mx.

Competition

We began our operations in Mexico in 1988 through our management services agreement with Grupo Caliente and expanded our operations in 1999 through ICELA. In both cases, we participated in the development of the halls where we offered traditional bingo products pursuant to licenses that these parties owned. Until 2004, when the Mexican government enacted regulation granting additional licenses to operate gaming facilities throughout the country, we estimate that halls operated under Grupo Caliente and CIE's licenses constituted the majority of private gaming offered in Mexico. Beginning in 2005, the Mexican government granted additional licenses to operate gaming facilities throughout the country. We estimate that approximately 31 licenses to operate a total of 763 gaming facilities have been granted by the Mexican government as of December 31, 2013. Of these, 7 licenses for 135 gaming permits were associated with Codere and an additional 24 for approximately 628 permits have been granted to third parties. One of these third-party licenses was granted to Grupo Televisa, a large Mexican media company, making it our competitor in Mexico. At December 31, 2013, Codere, through ICELA and Legacy Caliente managed or operated 82 halls, and we estimate that there were approximately 250 halls in Mexico opened and operated by third parties at that date.

In addition, there is a proliferation of gaming halls illegally operating without the permits required by local regulation. These illegal halls are principally located in Northern Mexico and particularly in the city of Monterrey. These illegal halls are attractive to certain portions of the gaming community in Mexico and affect our competitiveness in such regions, because most of their operators do not comply with the applicable regulations, including the payment of gaming taxes. In addition, high crime rates and violence resulting from drug-trafficking and organized crime are particularly acute in these areas with illegal halls where corruption prevails. For example, the gaming hall of one of our competitors in Monterrey was the subject of organized crime-related arson in August 2011, an event which negatively affected our operations through reduced attendance at our gaming halls in the months following the event as well as through the temporary closure of certain halls as a result of widespread government inspections.

Under our agreements with Grupo Caliente, we are subject to limitations on operating sports books. Grupo Caliente must consent to the opening, relocation or transfer of any sports book in Mexico, which consent may not be unreasonably withheld.

We believe that the Mexican gaming market is not highly penetrated, since additional gaming licenses were provided only in 2005 and it has significant growth potential in light of the fact that total amounts wagered represent a relatively low percentage of GDP compared to other European or Latin American countries. As such, we have been focused on securing our first mover advantage in this market and have been increasing our market position primarily through the deployment of slot machines in existing halls, as well as improving the operations in the Legacy Caliente business, following several years of underinvestment in that business as we negotiated the restructuring of our relationship with Grupo Caliente.

Sales and Marketing

We have begun to advertise our Mexico gaming halls and betting locations in mass media, such as newspapers and magazines with wide circulation, in a consistent manner with Mexican regulations.

Italy

We have been present in the Italian gaming industry since 2001, when we entered the bingo market. Initially, our activities were focused on providing management services to bingo halls owned by Operbingo. Currently, we are focused on the development and management of our 13 gaming halls, the AWP machines placed in bars and gaming halls, the development of our AWP network and the 1,609 VLT rights to install an equivalent number of machines granted therein. In 2013, our Italian business generated operating revenues of €259.7 million and EBITDA of €21.4 million, representing 16.8% of our consolidated revenues and 8.7% of our consolidated EBITDA (both before corporate headquarters revenues and expenses).

Operations

AWP

Since 2004, the year in which the Italian government regulated the gaming machine industry (AWPs were illegal prior to 2004), we have been present in the Italian AWP machine market. We entered the market as an operator of AWP machines and subsequently acquired a network concessionaire.

The following table sets forth certain historical data concerning our Italian machine operations, including the machines installed in our gaming halls:

	Year ended December 31,				
	2009	**2010**	**2011**	**2012**	**2013**
Number of AWP machines operated (at period end)	2,181	2,178	5,138	6,907	7,181
Net win per AWP per day (in euro)	74.8	86.0	74.1	65.1	59.8
Number of VLT machines operated (at period end)	-	402	962	1,157	1,193
Net win per VLT per day (in euro)	-	176.2	264.1	216.2	189.7

In the Italian AWP machine business, AWP operators enter into agreements with site owners under which the operator places its AWP machines at the sites and provides maintenance services for such AWP machines in exchange for a variable fee that is generally equal to 52% of net box after deducting gaming taxes and the cost of the network provision.

The following chart sets forth the business model economics for our Italian AWP machine operations. This example is based on our 2013 accounts and for illustrative purposes only:

Amounts Wagered (100%)	Amounts wagered represents the total amount of money wagered on AWP machines by gaming customers.
Less Prizes Payout (75.0%)	Prize payout represents the percentage of amounts wagered that must be paid to players of AWP machines over a cycle of a certain number of games, as specified in applicable regulations.
Equals Net Box (Net Win) (25.0%)	Net box represents amounts wagered less prize payouts.
Less Site Owner (5.5%)	Site owner represents the percentage of amounts wagered that is paid to the owner of the site in which the AWP machine is located.
Equals Operator Revenues (19.6%)	Operator revenues represent the percentage of amounts wagered that we retain as AWP machine operator, prior to payment of applicable gaming taxes and the interconnection fee. We recognize this amount as operating revenue.
Less Gaming Taxes (13.4%)	Gaming taxes represents the amount paid to the state and is the sum of 11.8% of PREU payments and 0.8% of the canon.
Less Interconnection Fee (1.8%)	Interconnection fee represents the amount paid to the network by each of the machines connected to it.
Equals Operator Revenues after Gaming Taxes and Interconnection Fee (4.4%)	Operator revenues after gaming taxes and interconnection fee represents the percentage of amounts wagered that we retain as AWP operator.

The Italian regulator has approved certain changes in the regulation which affect gaming taxes. In the case of the AWPs, gaming taxes increased from 12.7% of amounts wagered in 2012 to 13.4% in 2013. The minimum prize pay-out decreased from 75% to 74% in 2013. In addition gaming taxes for VLTs increased from 4% in 2012 to 5.0% of amounts wagered in 2013.

On April 28, 2006 we purchased Codere Network (previously Rete Franco), which is one of ten government concessionaires for the provision of AWP network services. At December 31, 2013 Codere Network had 17,764 C6A and VLTs machines connected to its network. In 2013 the duration of the license of Codere Network was extended to 2022.

In August 2009, in order to finance the reconstruction works after the damages caused in Abruzzo by an earthquake in April 2009, the Italian Parliament authorized the granting of rights for the introduction of VLTs to the AWP network concessionaires, in proportion to the number of machines connected to their respective networks. Following such decision, we began installing 1,359 VLT machines during the second half of 2010. Compared to AWPs which are stand-alone machines that give prizes depending on a pre-determined cycle of games, VLTs are more attractive as the machines are connected to a central system that provides the machine with a winning number based on a lottery system that makes the machine more random.

VLTs have higher prize payout (85% vs. 75%) and higher prizes, which could be as high as €500,000 per gaming system compared to a maximum prize of €100 of the AWPs. In addition, they have significantly lower taxes (5.0% vs.13.4% of amounts wagered in 2013) and can be placed only in gaming halls, bingo halls and betting shops. In December 2010, we acquired a majority stake in FG Slot Services S.r.l., which is a leading AWP machine operator in the area of Verona with approximately 620 AWP machines. In 2011, we purchased two other Italian operators; Gap Games in May and Gaming Re in July, which together operate approximately 2,560 AWP machines. In June 2012, we acquired a majority stake in Dalla Pria which operated approximately 2,000 AWP machines at the time of the acquisition. These acquisitions are a reflection of the increased attractiveness of the gaming market in Italy due to recent regulatory changes benefitting gaming operators, particularly the introduction of VLTs. On 15 March 2013, the Group acquired 51% of the shares of Royal Jackpot S.r.L for 150 thousand Euros.

In Q4 2013, as a result of the higher number of AWPs connected, we obtained 250 additional VLTs licenses to expand our business according to the license availability defined by the Italian regulator (AAMS).

Gaming Halls

We have owned bingo halls since December 15, 2005, when we acquired Operbingo, and have since acquired Bingo Palace, Mortara, Maxibingo and Royal (Caserta), each with one hall, and opened a greenfield bingo hall in Bologna. Following the enactment of enabling legislation, in 2007 and 2010 we began installing AWPs and VLTS, respectively at our halls so that today the bingo halls have been transformed into gaming halls in which we offer a variety of gaming products. Today we own and operate 13 gaming halls in Italy, of which 12 halls with bingo and one hall with only machines.

In November 2009, in an effort to boost the bingo sector, the AAMS approved certain changes to relevant regulation, including an increase in the prize payout from 58% to 70% and a reduction in gaming taxes of the same amount (from 23.8% to 12%). By increasing the prize payout, bingo is more attractive to the player and tends to result in increased wagers as players often choose to play the amounts won. The regulation also permits the interconnection of bingo halls, and thus the possibility of increased jackpots, under certain conditions.

The following tables set forth the historical development of our Italy gaming hall operations:

	Year ended December 31,						
	2007	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**
Number of gaming halls (at period end)	12	12	12	13	14	13	13
Number of bingo hall seats (at period end)	6,447	5,930	5,817	6,071	5,950	5,775	5,775
Net win per bingo hall seat per day (in euro)	36.6	33.0	30.0	27.1	24.3	20.4	19.0
Number of AWPs	480	601	493	480	322	325	326
Number of VLTs				402	769	808	749

The following table sets forth certain information regarding Operbingo's operations as of December 31, 2013:

Name of Bingo Hall	**City/Region**	**Concession Date**	**Concession Expiration Date**	**Number of Seats**	**Revenues for 2013 (in millions of €) (1)**
Palace	Turin, Piemonte	Jan. 2002	Jan. 2014	755	16.0
Re	Rome, Lazio	Feb. 2002	Feb. 2014	750	22.0
Modernissimo	Salerno, Campania	Mar. 2002	Mar. 2014	401	6.4
Living	Bologna, Emilia Romagna	Apr. 2002	Apr. 2014	330	2.9
Marconi	Vigevano, Lombardia	Apr. 2002	Apr. 2014	303	2.5
Garbini	Viterbo, Lazio	Aug. 2002	Aug. 2014	374	6.1
Ariston	Lecce, Puglia	Sep. 2002	Sep. 2014	422	9.3
Vittoria	Parma, Emilia Romagna	Jan. 2002	Jan. 2014	418	9.7
Cola di Rienzo	Rome, Lazio	Dec. 2004	Dec. 2016	310	11.2
Regina	Bologna, Emilia Romagna	Sep. 2002	Sep. 2014	336	3.7
Mortara	Mortara, Lombardia	Mar. 2002	Mar. 2014	306	3.4
Maxibingo	Salerno, Campania	Mar. 2002	Mar. 2014	440	5.1
Royal	Caserta, Campania	Feb. 2002	Jan. 2014	a.630	b. 15.1
Total				5,775	113.3

(1) Revenues consist of net win for the machine and bingo products, food and beverage sales and other revenues.

Our gaming halls in Italy are located in various regions through all the country such as Roma, Parma, Verona, Bologna or Lecce. Most of these gaming halls operate on a 18.5-hour schedule.

We are subject to ongoing litigation and disputes regarding the Italian business (see "—Litigation—Other Litigation and Disputes—Italy"). We believe that the various charges against the networks reflect in large measure both a rapidly developing regulatory framework and considerable political uncertainty and are entirely inconsistent both with the economic realities of the business and with the ultimate objective of the Italian government to have a well regulated gaming machine industry.

Competition

Competition in the Italian AWP machine operation market is highly fragmented. The VLT market is more concentrated as there are only ten networks that have the rights to install VLTs. There are three further networks that have recently received a provisional license but they have not yet been granted VLT rights. The largest networks are Bplus and Lottomatica with approximately 40% of the VLT rights issued. The competition in the bingo gaming market, as in the case of Spain, is also highly fragmented and comprises a number of small operations.

Sales and Marketing

We started advertising our gaming halls at the end of 2010. We mostly plan local campaigns with a marketing mix, which include radio, cinema and Internet. In October of this year, we started a loyalty plan in our gaming halls and we plan to extend it to our Internet gaming business.

Spain

Our Spanish business comprises AWP machines, a sports betting business, including self-service terminals as well as our Canoe gaming hall in Madrid in which we operate machines and bingo. As of December 31, 2013, we install, maintain, service and collect cash from over 11,070 AWP machines compared to 12,188 as of December 31, 2012, throughout Spain in over 7,775 bars, restaurants, arcades and gaming halls. The average daily net box per AWP machine was €43.1 in 2013 and €46.4 in 2012. As of December 31, 2013, we had 1,395 sports betting locations in Madrid, Navarra, Basque region, Aragón, Valencia, Galicia and Murcia compared to 1,176 on December 31, 2013. Actually, in March 2014 we have already deployed 24 new locations in the new region of Castilla- La Mancha. Codere also owns and operates the Canoe gaming hall. In 2013, our Spanish business generated operating revenue of €151.6 million and EBITDA of €17.0 million, representing 9.8% of our consolidated operating revenues and 7.0% of our consolidated EBITDA (both before corporate headquarters revenues and expenses), respectively.

In December 2010, the Spanish Government passed a total smoking ban which became effective in January 2011 and applies to every closed public venue. The smoking ban applies to all bars, restaurants and halls in which we operate throughout Spain as well as to our Canoe gaming hall.

Following a series of regulatory changes in Spain that progressively allow for more gaming products to be offered in the same premise (for example, self-service terminals for sports betting allowed in bars in the Basque region, Aragón, Navarra, Valencia and Galicia, sports betting, electronic poker and roulettes and B3/EBTs allowed in gaming halls), we combined all of our Spanish operations to extract commercial and cost synergies among the businesses. As such, results previously reported under the Spain AWP, the Spain bingo business and sports betting business units are reported as a combined unit under Spain since January 1, 2011.

An example of the combination of operations in Spain is the recent change we introduced in our Canoe gaming hall in Madrid. As a bingo hall, Canoe gaming hall is only allowed to be open for 12 hours a day (from 3 p.m. to 3 a.m.), restricting the play time on the machines located at the hall. In order to maximize profit, we have divided the Canoe gaming hall into two independent halls. One hall keeps operating as a traditional bingo hall, while the other hall operates under a gaming hall license and is, therefore, permitted to maintain longer hours of operation. The gaming hall licensed portion of the Canoe gaming hall offers sports betting, AWP and B3 machines as well as other games such as electronic poker, blackjack and roulette.

Operations

We are a market leader in the highly fragmented AWP machine market in Spain and have a significant presence in most of the regions of Spain, including Madrid, Catalonia and Valencia.

The following table sets forth certain historical data concerning our AWP machine operations in Spain and the average daily net box per AWP machine:

	Year ended December 31,					
	2008	**2009**	**2010**	**2011**	**2012**	**2013**
Number of AWP machines (at period end)	15,963	15,587	15,399	14,677	12,188	11,070
Average daily net win per AWP machine (in euro) (1)..	55.7	49.2	49.2	42.3	44.9	43.1
Spanish market average daily net win(2)	39.3	36.4	37.6	36.2	35.2	n.a.

(1) Average daily net box per AWP machine is calculated as average daily amount wagered less prize payout per AWP machine.

(2) Source: Spanish National Gaming Commission Annual Reports (2006–2010), and Direccion Nacional de Ordenacion del Juego 2011 Annual Report.

The most important asset in the AWP business is the relationship with the bar and restaurant owners. We have established relationships with over 7,775 bars and restaurants through installation agreements.

These agreements generally give us the exclusive right to place one or more of our AWP machines in the owner's establishment for a period of up to ten years. In return, we share the revenues obtained. The following chart sets forth the business model economics for our Spanish AWP machine operations. This example is based on our 2013 accounts and for illustrative purposes only:

Net Box (Net Win) (100%)	Net box represents amounts wagered less prize payouts.
Less Site Owner (39%)	Site owner represents the percentage of amounts net win that is paid to the owner of the site in which the AWP machine is located.
Equals Operator Revenues (61%)	Operator revenues represent the percentage of net win we retain as AWP machine operator, prior to payment of applicable gaming taxes. We recognize this amount as operating revenue under IFRS.
Less Gaming Taxes (22%)	Gaming taxes represents our estimate, based on historical experience, of the percentage of net win represented by legally mandated tax payments per AWP machine. AWP machine taxes are established by regulation in each Spanish region in which we operate as a fixed yearly amount per machine.
Equals Operator Revenues after Gaming Taxes (39%)	Operator revenues after gaming taxes represents the percentage of net win that we retain as AWP operator.

In addition to revenue sharing, we often made interest-free loans or up-front cash payments to owners to induce them to enter into or extend contracts and grant us exclusive rights to install AWP machines in their establishments. Site owners typically repaid these loans over a 12- to 24-month period through an offset against their share of revenues. Beginning in 2009, as a result of the decrease in the net wins, and in order to align the incentives of the bar owners, we reduced significantly the up-front payments and increased deferred payments, conditional on the performance of the bar. Under the current methodology for an average contract, which is approximately for €5,000, we pay 20% up-front, 30% in the first year and 50% after 18 months, the latter two payments only being made if the net wins exceed the minimums stipulated in our agreements with the individual bar owners.

Upon reaching an agreement with a site owner, we install and maintain the AWP machines. Working with the site owner, we also ensure that each AWP machine complies with regional and national regulations. We pay any required gaming taxes and, where required, post monetary guarantees with the relevant regulator.

Unlike in Argentina and Mexico where we operate gaming machines in our halls, in Spain, we have a collections department that is responsible for carrying out coin collection from our AWP machines in various sites. Each of our collectors carries an electronic portable device that provides our collectors with a significant amount of information, including the share of the cash balance in the AWP machines payable to us and to the site owner, prize payout, the time during which the AWP machine was in use and the payment conditions established in the applicable installation agreement.

We grew the number of AWP machines in our portfolio through acquisitions of smaller AWP operators and organic growth. Many of the smaller operators represented attractive acquisition opportunities because their acquisition generally required a low capital investment, and results in a high EBITDA and cash flow contribution to our Spain AWP operations. Once we identified a potential business to acquire or location to develop, we preferred to take a controlling stake in the business. This typically included taking over the acquired operator's rights under its installation agreements and its obligations under its service and maintenance agreements. In recent years, we have not made any acquisitions as we believe the market conditions and prices were not adequate.

We continuously monitor the economic performance of our machines to make wire contract renewal determinations. The higher average daily net box produced by our AWP machines is a key element in our negotiations with site owners, as are the exclusivity payments that we make in order to guarantee our exclusive right to install AWP machines in particular sites or our ability to offer sports betting services to selected locations. The likelihood of such exclusivity payments being required, and the amount of such payments, is generally a function of the competition for any given site, with centrally located, high traffic sites attracting the most interest from our competitors. In cases where there are a number of gaming operators bidding on a site, we will generally be required to make higher exclusivity payments or loans or advances to the site owner, increasing our operator costs. We capitalize exclusivity payments and amortize them over the length of the contract with the site owner, which averages five years.

AWP business is regulated solely on a regional level in Spain and the regulations are periodically renewed. These changes in regulation affect parameters such as the prize pay-out, maximum prize and the maximum amount that can be waged.

Regarding the sports betting business, we have applied and obtained the necessary licenses to operate in the next regions: Madrid (April 2008), Basque Region (November 2008), Navarra (October 2010), Aragón (2011), Valencia (2012), Galicia and Murcia (2013). Between January and March 2014 we have already deployed 24 new locations in the region of Castilla- La Mancha. Some Regions allow sports betting only at dedicated sports betting shops, casinos gaming halls and bingo halls, while others also allow sports betting in bars. As in the case of the AWP machines, we enter into different agreements with bar and gaming halls owners, sharing the revenues with them.

We made progress in the establishment of the sports betting business in Spain over the course of 2012 and 2013, passing from 600 sports betting locations in January, 2012 to 1,395 as of December 31, 2013, the majority of these being self-service terminals installed in bars.

We also operate the Canoe gaming hall, which has a number of different gaming devices offering various types of games, including traditional bingo, (similar to the game played in other countries as Mexico, Italy or Argentina) and sports betting. The estimated number of visits to the gaming hall was 363,000 as of December 31, 2013.

In December 2010, in an effort to boost the bingo sector, the Community of Madrid increased the prize pay-out ratio by 6 percentage points from 65% of card sales to 71% and decreased the gaming taxes applicable to bingo operators by 7 percentage points from 22% to 15% in each case, effective January 2011. The difference of one percentage point increases the margin to the operator.

In the fourth quarter of 2013 assets relating to operations in Internet Spain were impaired in the amounts of 3.6 million Euros, because the regulation of the industry carried out in Spain has affected the development of that unit, since it has been placed in a clearly disadvantageous position in relation to competitors operating in the business prior to its regulation.

Competition

Competition in the AWP machine operation market in Spain is highly fragmented. Regionally, our competitors are local operators, while, our primary competitor nationally is Cirsa, which we estimate had approximately 25,301 AWP machines throughout Spain as of September 30, 2013. We believe that the AWP machine market in Spain remains highly fragmented and offers considerable possibilities for further consolidation. In the case of the sports betting business, the competition depends on the number of licenses issued in each region. In the case of the Basque region there are only three players as the licenses are limited, while in the case of Madrid or Valencia the number of competitors is higher due to the fact that there is no limit upon the number of licensees.

Sales and Marketing

Although government regulations on advertising have become more relaxed in recent months, the current regulations limit the extent and manner by which we and our competitors can advertise. In particular, government regulation prohibits certain kinds of direct and indirect advertisements to potential AWP machine players.

Other Operations

Panama

In October 2005, we purchased a 90% interest in the Presidente Remón Racetrack in Panama City, which is the only racetrack in Central America. We acquired the remaining 10% held by the Motta family in 2010. We currently hold licenses to open betting locations and are permitted to install up to 500 slot machines and a bingo hall at the racetrack. As of December 31, 2013, the racetrack had 399 machines and we were operating 66 sports betting locations in Panama.

On January 24, 2006, we completed the purchase of Crown Casinos in Panama. The acquisition was part of the sale exchange agreement signed on July 28, 2005 between the Antonio Martínez Group and us, pursuant to which we agreed to exchange our non-controlling interests in four Chilean casinos for 100% of Crown Casinos. On December 6, 2008, we opened our fifth casino in Panama, located at the Radisson Hotel, in the second largest Panamanian city of Colón. On August 19, 2010, following receipt of regulatory approvals, we completed the purchase of Thunderbird Resorts Inc.'s (NYSE Euronext Amsterdam: TBIRD) 63.6% stake in six casinos in Panama for approximately U.S.$38.0 million. As of the date of the acquisition, International Thunderbird Gaming (Panama) Corp. ("Thunderbird"), a leading player in the local casino market, operated six casinos with a total of 85 tables and 1,831 slot machines under the Fiesta Casino brand. Thunderbird has been consolidated in our financial statements from September 1, 2010.

At December 31, 2013, Codere operated 12 casinos in Panama, including the machine hall at the racetrack, through its two brands, Crown and Fiesta, with a total of 3,225 gaming machines seats and 122 tables. Six out of these 12 casinos in Panama, including the hall at the racetrack, are located in Panama City. Two of the remaining casinos are located in Colón, Panama's second largest city, a further two in David, one in Chitré and one in a touristic area in the Province of Coclé. With 12 out of the 15 casinos operating in the country, we are the leader in the Panamanian casino market.

In 2013, our Panama business generated operating revenue of €90.3 million and EBITDA of €14.6 million, representing 5.8% of our consolidated revenues and 6.0% of our consolidated EBITDA (both before corporate headquarters revenues and expenses).

The following table sets out certain data corresponding to our Panama casino operations.

Casino Name	Location	Opening Date	Size (m^2)	Average Slots Machine Seats	Tables	License expiration date
Crown Casinos						
Sheraton	Panama City	Sep. 1998	1,280	328	24	Mar. 2018
Continental	Panama City	Oct. 1998	900	383	16	Mar. 2018
David	Chiquiri	Feb. 2004	565	274	10	Mar. 2018
Granada	Panama City	May 1998	205	45	5	Mar. 2018
Colón	Colón	Sep. 2010	507	220	13	Oct. 2030
HPR	Panama City	Apr. 2007	991	399	-	Dec. 2017
Fiesta Casinos						
El Panamá	Panama City	Jul. 1998	1,778	409	16	Mar. 2018
Soloy	Panama City	Aug. 1998	1,105	390	10	Mar. 2018
Nacional	Chiriqui	Dec. 1998	911	287	10	Mar. 2018
Washington	Colón	Oct. 1998	860	227	5	Mar. 2018
Guayacanes	Chitré	Oct. 2002	549	151	6	Oct. 2022
Decameron	Coclé	Mar. 2003	229	100	7	Mar. 2023
Total		**—**	**9,880**	**3,213**	**122**	

Our casinos in Panama are open 24 hours a day. Slot machines installed at our casinos in Panama have TITO operational systems. In addition, we have installed player tracking and loyalty programs in our casinos.

Our competitors in the casino segment include Veneto Hotel & Casino S.A., Majestic Casino, which is operated by Cirsa, the Royal Casino at the Marriott Hotel and Princess Entertainment Panama, Inc. (Casino Princess) located at the Sheraton, each of which operate one casino. In addition, Cirsa operates a number of gaming halls throughout the country which compete with our casinos. As of September 30, 2013, Cirsa operated a total of 7,402 slot machines and 31 tables in operation in Panama.

Colombia

Our Colombia business focuses on the ownership and operation of gaming machines. As of December 31, 2013, we operated 5,932 gaming machines located in 51 gaming halls, including five casinos operated under the Crown Casino brand as well as in arcades in major cities throughout Colombia. In addition, as of December 31, 2013, we operated five bingo venues with an aggregate of 850 seats. Through our four gaming hall brands (Crown Casinos, Mundo Fortuna, Fantasía Royal and Stars Casino), Codere is present in over 80 municipalities, including large cities such as Bogota, Cartagena, Barranquilla, Medellin, Pasto, Cali, Ibague, and Bucaramanga. In 2013, our operations in Colombia generated operating revenue of €34.0 million and EBITDA of €3.6 million, representing 2.2% of our consolidated revenues and 1.5% of our consolidated EBITDA (both before corporate headquarters revenues and expenses).

Codere entered the Colombian market in 1984 and rapidly became a relevant slot machine player. The Colombian business was originally a replica of the Spanish slot route model of slot machines in bars and other small third-party outlets. In 1998, we inaugurated the Cali Gran Casino, effectively entering the business of managing gaming halls in addition to its original slot routes. In 2005, Codere moved further into gaming halls by means of acquiring Intergames, the largest bingo operator in the country at the time with four bingo halls and approximately 1,200 slot machines. As the legacy slot route business came under increasing pressure from illegal operators and new formats, Codere started to rationalize the slot estate located in unbranded third-party facilities. In 2007, it began to focus increasingly on strengthening its top brand, Mundo Fortuna, and its arcade brand, Fantasia Royal. A new format and design for the Fantasia Royal venues was also launched in 2007.In 2009, a new premium brand, ‘Crown Casinos’ was launched, targeted at high-income customers.

The first two Crown Casinos were the result of the remodeling and reopening of the old Cali Gran Casino in Cali, which was turned into Crown Casinos Cali, and the old Mundo Fortuna Palatino, which was turned into Crown Casinos Palatino in Bogota in 2009. In 2011, we inaugurated two new Crown Casinos in Bogota, one located at the Unicentro shopping mall and one in the San Rafael area. In the summer of 2012 we opened our fifth Crown Casino, located in the Zona T area of Bogota.

In completing the renovation to Fantasia Royal and Crown Casinos formats, Codere is implementing a complete turnaround strategy focused on developing new value offers for each brand.

As of 2008, the Colombian Government increasingly focused on cracking down on illegal operators and changed the regulation to eliminate gaming in non-dedicated venues. This has resulted in much needed support for legal operators.

The average Mundo Fortuna halls have approximately 75 slot machines in an area of approximately 585 square meters. The five Crown Casinos in operation at, have 680 slot machines and 44 tables (in four of them) in an area of approximately 2,083 square meters per casino. The halls we operate in Colombia normally open 16 hours per day.

In addition, we have installed player tracking and loyalty programs in our casinos.

We estimate that the total number of licensed gaming machines in Colombia, as of December 31, 2013, was approximately 60,453. In addition, we estimate that, as of December 31, 2013, there were an additional 42,000 unlicensed gaming machines in operation in Colombia. The gaming machines in the Colombian market are generally type-C machines, similar to U.S. Class III machines which do not have maximum wager and prize limits. The Colombian machine market (excluding machines located in casinos), with around 300 legal operators, is highly fragmented. Currently, our main competitors in the licensed market are Winner Group, which is affiliated with Cirsa, our main competitor in Spain, with approximately 5,904 gaming machines and 203 tables at September 30, 2013, and Mundo Slot with approximately 1,773 machines. In 2013, the operational control organism (Coljuegos) seized 3,000 illegal machines.

The following table sets forth certain historical data concerning of our Colombia business's operations:

	Year ended December 31,					
	2008	**2009**	**2010**	**2011**	**2012**	**2013**
Number of AWP machines (at period end)	8,502	6,556	6,179	6,224	6,044	5,932
Net win per gaming machine per day (in COP)..................	32,747	33,257	39,938	44,890	49,488	53,598

Uruguay

In June 2002, the Uruguayan government granted HRU S.A. (formerly Hípica Rioplatense Uruguay S.A. "HRU"), a 50/50 partnership between us and the Sociedad Latinoamericana de Inversiones Group (the "SLI Group" through Verfin Overseas S.A., a company established under the laws of República Oriental del Uruguay), an exclusive 30-year concession, to operate the historic Maroñas horse racetrack in Montevideo and five off-track betting sites, which include slot machines as well as wagering based on simulcast sporting events. Our partner, the SLI Group, also owns the Haras de La Pomme horse breeding center, which is one of the most prestigious in Latin America. The SLI Group is also involved in the hotel business, real estate investments, telecommunications and Internet services.

The Uruguay business's operation of the Maroñas horse racetrack and related on-track and off-track betting and slot machine sites is our first development of the "racino" gaming business model. The racino business model consists of combining generally more profitable casino gaming, such as slot machines, with a racing product, which is a generally less profitable area of the gaming business. By increasing overall profitability, purses to horsemen may be increased, attracting the best horsemen to the racetrack, which tends to increase betting. Top-class horse racing may also be leveraged by offering racing simulcasts to off-track betting sites as well as other horse racetracks. Racino gaming has grown rapidly in the United States and Canada in recent years. During 2013 we launched a new online horse betting system in Uruguay.

On July 27, 2012 HRU was granted a 30 year concession to refurbish and operate the Las Piedras racetrack. Pursuant to this concession, the fee HRU receives from the local gaming authority for the gaming machines it operates under the Maroñas concession increased in the three months ended December 31, 2012. In 2013 we have begun operations in Las Piedras racetrack. As of December 31, 2013, our Uruguay business operated the Maroñas horse racetrack, six machine halls including Casino Carrasco with a total of 2,157 slot machines seats and 27 horse betting locations. Out of the 27 horse betting locations, three were fully owned by HRU and operated under our Turff Bet & Sport Bar brand, while the others are third-party locations which take bets on races at Maroñas horse racetrack and to which we offer international simulcast. In 2013, our Uruguay business generated operating revenue of €41.1 million and EBITDA of (€1.2) million, representing 2.7% of our consolidated revenues (before corporate headquarters revenues and expenses).

On November 9, 2009, the Intendencia Municipal de Montevideo awarded the Carrasco Nobile consortium (a 51%/49% partnership between Codere and Sikeston S.A., an international investor group) a 30-year concession for the reconstruction and management of the iconic Carrasco Hotel and Casino in Montevideo built in 1912. The formal granting followed the announcement on January 15, 2009 that the partnership received the highest point total as well as a review by the *Tribunal de Cuentas*. The consortium partnered with the French hotel group, Accor, to operate the hotel under the Sofitel luxury brand. The total investment was approximately U.S.$75 million. On March 7, 2013, we opened the "Sofitel Montevideo Casino Carrasco and Spa" with 116 rooms, 405gaming machines and25 tables. The opening of the Carrasco complex suffered delays and substantial overruns. Furthermore, the early results have been disappointing with lower revenue than expected and large operating losses. While we are taking measures to reduce losses, we believe that the long-term success of the business depends on our ability to attract high value clients from overseas. In addition to marketing efforts, this will require managing the availability of credit to clients, an activity in which we have no significant previous experience.

Brazil

At December 31, 2013 we operated seven horse betting locations in Brazil under our Turff Bet & Sport Bar brand. Codere went into business in Brazil in 2006 when it commenced the development of a network of on-track and off-track high profile betting offices that operate under horse betting licenses held by the Jockey Clubs ("JCs") with a presence in the states of Rio de Janeiro (Jockey Club Brasileiro or JCB), Rio Grande do Sul (Jockey Club do Rio Grande do Sul or JCRGS), and Paraná (Jockey Club do Paraná or JCPR). Under the JCs' licenses, our betting locations are permitted to distribute (i) pooled betting products on local horse races and (ii) fixed-odds betting products on international simulcast horse races.

Prior to these developments, Codere developed a relationship with the three JCs and in 2005 entered with all three into ten-year mutually exclusive agreements under which the JCs and Codere covenanted to jointly develop "any new form of gaming" permitted under the JCs' licenses (the "JC Agreements"). We expect the JCs to be authorized to run racings at their racetracks, a business that would clearly fall under the JC Agreements. No such development has materialized yet.

The JC licenses permit JCs to operate "other lottery products", a term which was at the time, and remains today, undefined, and has never materialized into any concrete authorization. The Ministry of Agriculture regulates the JCs while lotteries are the exclusive regulatory domain of the *Ministerio da Fazenda*.

In 2013, our Brazil business generated operating revenue of €2.9 million and EBITDA of €(0.8) million, representing 0.2% of our consolidated revenues (both before corporate headquarters revenues and expenses).

Employees

The tables below set forth the average number of our permanent employees during 2012 and 2013 and the breakdown of those employees by activity and by geography.

Category of Activity	2012 Men	2012 Women	2013 Men	2013 Women
Managers and supervisors	816	251	969	292
Specialists	444	189	318	165
Sales personnel	2,625	2,067	2,037	1,592
Collectors	829	444	622	381
Mechanics	560	46	584	11
Clerical staff	1,187	938	1,109	961
Assistants	819	530	609	452
Other personnel	5,857	3,580	4,934	3,278
Total(1)	13,137	8,045	11,182	7,132

Geographic Area	2012 Men	2012 Women	2013 Men	2013 Women
Argentina	3,142	2,225	2,759	2,091
Mexico	6,033	3,381	4,780	2,770
Italy	634	433	553	365
Spain	890	336	835	350
Panama	1,507	996	1,232	841
Colombia	533	318	465	270
Uruguay	367	326	523	413
Brazil	31	30	35	32
Total(1)	13,137	8,045	11,182	7,132

(1) Percentage of the staff has been considered as per the method of consolidation used for companies.

The extent of labor union membership of our employees varies between countries. We believe that we maintain good relationships with both our union represented and non-union represented employees and their union representatives. We are involved in limited numbers of labor disputes in the ordinary course of business, none of which would have a material adverse effect on us if not resolved in our favor.

We are subject to collective bargaining agreements in the countries in which we operate. Under these agreements, salary scales are established for each position in each industry. The salary scales are usually revised annually and typically provide for increases in the salary scales in accordance with the increases in the consumer price index in each country, or a slightly larger increase. We do not have a pension plan.

Licenses and Trademarks

Licenses

We hold gaming licenses or government authorizations in each jurisdiction in which we operate, directly or indirectly through our partners or clients. We expect to obtain additional permissions to operate off-line and on-line gambling, and betting operations in the future.

In addition, in some countries we hold licenses or authorizations permitting us to import gaming machines.

Trademarks:

We have no material patents as of the date of this Report.

We operate three trademarks worldwide: Codere (gambling and bingo), Victoria (gambling, bingo and betting) and Turff (betting). We also have 196 local trademarks used for local operations and 582 Internet domains for our on-line business.

We own a copyright on SPACE Codere, a complex Customer Relationship Management software for performance analysis of gaming machines and gaming shops.

Litigation

In the ordinary course of business, we have been and are involved in disputes and litigation. While the result of these disputes or litigation cannot be predicted with certainty, we do not believe that the resolution of any such disputes or litigation, individually or in the aggregate, could have a material adverse effect on our business, results of operations or financial position.

Tax Contingencies

From time to time in the ordinary course of business we and the tax authorities in the jurisdictions in which we operate dispute the amounts that we owe to such authorities.

Argentine Income Tax Dispute

We are involved in a dispute with the Argentine federal tax authorities regarding the application of Section 73 of the Argentine Income Tax law to certain inter-company's loans with our Argentine affiliates. Section 73 also generally applies to loans to third parties and we have argued that the Argentine companies involved in the questioned loans are part of a single economic group. If this dispute is determined adversely to us, we estimate that we would be required to pay AR$11.68 million (equivalent to approximately €1.8 million as of March 31, 2013).

Bingos del Oeste S.A. is also involved in a dispute with the Argentine federal tax authorities concerning the application of the credit debit tax to the amounts of money we periodically pay to the Buenos Aires province gaming authorities (34% of the net win in the case of slot machines, and 21% of the total amounts wagered in the case of bingo gaming). We have argued that these amounts are not subject to the credit debit tax, as they are owed to the Province of Buenos Aires and are therefore not subject to the federal credit debit tax law. If this dispute is determined adversely to us, Bingos del Oeste S.A. would be required to pay AR$9.43 million (equivalent to approximately €1.4 million as of March 31, 2013).

Mexican Tax Disputes

In Mexico, we are involved in several ongoing disputes with state tax authorities concerning the application of state lottery taxes to our bingo hall operations. These disputes arose following the enactment of regulations under the Mexican Federal Law of Games and Lotteries on September 17, 2004, which specify bingo as a form of lottery, technically empowering the Mexican states to tax bingo activity. Certain of our Mexican subsidiaries disputed the Mexican state governments' right to impose taxes on bingo activity, claiming that only the federal government has authority to tax such activities. These subsidiaries obtained injunctions absolving them of the obligation to pay such taxes in several states, but certain of the injunctions have expired and the relevant states have claimed the taxes in 2011 and 2012. Consequently, we began paying taxes in these states in 2011, 2012 and 2013.

If the tax related disputes that are ongoing in other states are determined adversely to us, we could be required to pay Mex. Ps. 3,120.9 million (equivalent to approximately €173.37 million as of December 31, 2013), which would include taxes applied to the operations of ICELA and the Joint Opcos. Prior to completing the consolidation of the Joint Opcos, a provision of Mex. Ps. 40.1 million (equivalent to approximately €2.3 million as of December 31, 2013) was recorded in the financial statements of the Joint Opcos to cover the risk which was considered probable.

In addition, two of our Mexican subsidiaries are currently the subject of three tax claims from Federal and State Tax authorities. During the course of 2012 and 2013 we took provisions against these claims for a total of Mex. Ps. 59.8 million (equivalent to approximately €3.32 million as of December 31, 2013).

The first claim is made against our Mexican holding company Codere Mexico by the Federal Tax Administration Service (the Servicio de Administracion Tributaria or "SAT") and relates to certain gaming machine import duties in 2009 and 2010. The amount claimed is Mex. Ps. 147 million (equivalent to approximately €9.3 million as of December 31, 2013) which we first contested before the SAT's Administrative Supervisory Body (the "SATASB") and, after having failed, we took to the Federal Tax and Administrative Court. A legal opinion from our legal advisers in Mexico states that the claim has significant flaws both in substance and form, but also indicates that, as is the case for any legal process, the outcome is by no means certain. During 2012 we took a provision of Mex. Ps. 22 million (equivalent to approximately €1.2 million as of December 31, 2013), which reflects the assessed value of the imported gaming machines at the time of the tax audit. In 2012 we took an additional charge to the provision of Mex. Ps. 1.5 million (equivalent to approximately €0.01 million as of December 31, 2013). This provision is reflected in other expenses.

The subject of the second claim is our subsidiary Operadora de Espectáculos Deportivos, S.A. de C.V ("Operadora de Espectáculos Deportivos") and the claimant is the SAT. The Mex. Ps. 298 million (equivalent to approximately €16.6 million as of December 31, 2013) claim relates to our alleged inability to provide sufficient evidence to SAT's satisfaction that, for cash management convenience, certain amounts deposited at Operadora de Espectáculos Deportivos by Operadora de Espectáculos Deportivos' sister companies during the course of 2010, prior to the July 2011 transaction with Caliente, were deposits and not taxable income under the Federal Gaming Tax (IEPS). We believe that we have provided sufficient evidence that the amounts were not taxable income, except where it relates to some relatively small transactions.

We initially appealed to the SATASB, which turned down our arguments so on May, 21st 2013 we appealed the case before the Federal Tax and Administrative Court of Justice. We have obtained a legal opinion from our legal advisers in Mexico to the effect that the SAT's claim is unjustified and without technical merit.

The third claim in the amount of Mex. Ps. 560 million (equivalent to approximately €31.1 million as of December 31, 2013) is the result of the reassessment by the SAT of Codere Mexico's 2008 income tax return. In 2008, Complejos Turísticos de Huatulco ("CTH") and other subsidiaries of Codere Mexico merged into Codere Mexico. Prior to the merger, Codere Mexico had large US$-denominated credits payable to it by CTH as this was the entity we used to fund the Legacy Caliente operations. These credits generated a significant exchange rate gain for Codere Mexico during the course of 2008 and a corresponding exchange rate loss at CTH. When we submitted the 2008 accounts to the SAT, following the merger, the corresponding amounts were not offset and the accounts continued to show the gains and losses. The claim presented by the SAT questions the validity of the losses for tax relief purposes whilst not accepting our defense that those losses are offset by an equivalent gain. We appealed before the SATASB in December, 2012 and we are currently awaiting a ruling. We have obtained a legal opinion from our legal advisers in Mexico to the effect that the SAT's claim is unjustified and without technical merit. However, during the course of 2012 we took a provision for Mex. Ps. 33.8 million (equivalent to approximately €1.9 million as of December 31, 2013) which was reflected in corporate income tax. In 2013 we took an additional charge against operating profit of Mex. Ps. 2.5 million (equivalent to approximately €140 thousands as of December 31, 2013).

In addition to the above claims, in May 2013, our subsidiary AMH filed Federal Gaming Tax restatements for the years 2009 through 2012 for a combined sum of Mx, Ps. 176.6 million. Such restatements, which relate to how client promotions are computed for tax purposes, benefited from the new administration's tax amnesty which remained in force until 31 of May 2013.

Our other subsidiary Operadora Cantabria, one of the Joint Opcos, did likewise but only for the year 2011 and for an amount of Mx. Ps. 13.4 million also covered under the tax amnesty. The remainder of the Joint Opcos and Operadora Cantabria for the rest of the years, which computed Federal Gaming Tax in similar fashion as AMH, filed restatements, due to liquidity constraints, in June and July of 2013 for an amount of Mx. Ps. 151.6 million.

Italian Tax Disputes

In Italy, we are involved in a tax dispute regarding gaming taxes. On January 5, 2009, Codere Network received a notice from the AAMS Lazio claiming that certain amounts were due for 2004 and 2005 in connection with the "liquidazione PREU", which is an estimate of gaming taxes owed by concessionaires based on the amounts spent by customers on slot machines ("AAMS PREU payments"). The amounts claimed were approximately: (i) €21.7 million as AAMS PREU payments; (ii) €2.0 million as penalties (which would be reduced if paid without dispute); and (iii) €2.8 million as interest. Codere Network subsequently received additional notices from the AAMS Lazio claiming AAMS PREU payments for 2006, 2007 and 2008. After Codere Network made various requests for recalculation of the AAMS PREU payments for the years 2004 through 2009, the AAMS Lazio concluded that Codere Network does not owe any AAMS PREU payments for the years 2004 through 2007. Regarding the AAMS PREU payments for the year 2008 the AAMS Lazio recognized Codere Network a credit of €3.6 million with a final settlement.

On December 28, 2011, Codere Network received a notice from the AAMS Lazio about the AAMS PREU payments for 2009, which stated that Codere Network does not owe any AAMS PREU payments for that year. Codere Network claimed a credit of approximately €3.9 million from the AAMS Lazio and submitted an application for review. On January 27, 2012, Codere Network sent a notice to the AAMS Lazio restating the amount of credit claimed to €393,322 as a result of having offset part of the credit against periodic PREU payments (in consultation with the AAMS Lazio).As of the date of this Report, the AAMS Lazio has not issued its settlement with regard to the AAMS PREU payments for 2009.

On January, 3, 2013, Codere Network received a notice from the AAMS Lazio stating that Codere Network does not owe any AAMS PREU payments for the year 2010, and recognizing a credit of approximately €4.0 million in favor of Codere Network. On January 29, 2013, Codere Network sent a notice to the AAMS Lazio restating the amount of credit claimed to approximately €480,000 as a result of having offset part of the credit against periodic PREU payments (in consultation with AAMS Lazio). ADM (Agenzia delle Dogane e dei Monopoli, the entity which incorporated AAMS in 2012), did not reply to the note sent by Codere Network.

On January 2nd, 2014 Codere Network received a notice from ADM stating that Codere Network does not owe any amount for the PREU 2011. In addition to this, according to ADM's communication, Codere Network has a credit balance of €2.1 million. On January 13, 2014, Codere Network sent a notice to ADM asking for a rectification of the credit amount, and indicating as correct credit the amount of €588 thousands. We are waiting for ADM response.

Other Tax Disputes

In Bogota, Colombia, we resolved a dispute with local tax authorities regarding certain gaming taxes on slot machines operated by us at locations owned by third parties in the second half of 2009. Codere Colombia S.A. paid approximately COP$1,678.3 million (equivalent to approximately €0.6 million) as of March 26, 2014 in resolution of that dispute. The tax authorities did since cease the related judicial process and confirmed that Codere has complied with applicable regulations. On May 12, 2010, the Constitutional Court of Colombia declared that the law under which that dispute was resolved and by which the Congress authorized the resolution of tax disputes by way of payment of agreed amounts with local tax authorities was unconstitutional. Unexpectedly, and without notification to Codere Colombia S.A., the Colombia's Council of State decided to reopen the judicial process. On September, 26th 2013, the Colombia's Council of State issued its Sentence against Codere Colombia S.A. We have taken charges against this contingent tax liabilities in an amount of COP4, 300 million (equivalent to approximately €1.6million) which is the amount our legal counsel in Colombia estimated as maximum amount we could be required to pay.

On December 19th, 2013 Codere Colombia S.A. presented an appeal for review (Recurso Extraordinario de Revisión) before the Colombia's Council of State. The appeal hasn't been admitted yet.

In Panama, on November 9, 2009, our subsidiary Thunderbird applied for administrative process against Resolution No. 213-7351, defending a claim for coercive collection issued against it by the Provincial Revenue Administration of the Province of Panama, which also includes an order to seize any movable and immovable property, bank savings accounts, time deposits and safe deposit boxes registered to it. The claim of the Provincial Revenue Administration amounts to approximately U.S.$4.0 million (approximately €2.9million as of March 31, 2013). In March 2011, we filed a notice of withdrawal of the application for administrative process against Resolution No. 213-7351. On November, 25th 2013 the Supreme Court of Justice accepted our arguments and withdrew and closed the case against Thunderbird.

Other Litigation and Disputes

<u>Insolvency Proceedings.</u>

On January, 2nd 2014 Codere S.A., taking into account the financial situation, the short term treasury forecast and the next payments dates, has submitted the communication under the article 5 bis of the Spanish Insolvency Law (Ley Concursal) before the Mercantile Court of Madrid. On February, 7th 2014 Codere America, S.A.U., Colonder, S.AU., Nididem, S.L.U., Codere Internacional Dos, S.A.U. and Codere Internacional, S.L.U, companies belonging to Codere Group have submitted the communication under the article 5 Bis of the Spanish Insolvency Law (Ley Concursal) before the Mercantile Court of Madrid. When three months have elapsed from the notification to the Court, whether or not the Company has reached a refinancing agreement or the necessary adhesions for an early proposal of composition to be admitted to consideration, he must petition to be declared insolvent debtor within the following working month, unless he is not in a state of insolvency. Codere S.A. continues negotiating with its creditors in order to reach an agreement to restructure the Company's debt.

<u>*Argentina*</u>

Criminal Investigation

Codere is the subject of a criminal investigation in Argentina relating to the illegal importation and exploitation of slot machines. This investigation was initiated in 2002 and initially directed at all Argentine slot machine operators. Over the course of the ongoing preliminary stage of the investigation, the authorities have decided not to pursue investigations of certain slot machine operators. Codere Group members remain among the companies being investigated and are cooperating fully with the authorities. During 2010 and 2011, the court ordered proceedings to inspect certain records of Codere, including Codere's financial accounts. The results of these inspections were favorable to Codere's case. No director, officer or employee of Codere has been subpoenaed as of the date of this Report. We have argued that the investigation, insofar as it involves Codere, is without merit and we are seeking to resolve the investigation through the application of the statute of limitations.

BCRA Litigation

The Argentine Central Bank ("BCRA") has initiated several proceedings against Codere under foreign exchange control laws and regulations. The applicable laws and regulations impose fines in the range of one to ten times the amount of the alleged infraction, but the fines are normally levied in the minimum amount. BCRA is investigating alleged infractions for inaccurate disclosure in sworn statements made by Codere with respect to transfers abroad for a total amount of U.S.$4.1 million and €0.3 million, on account of "*foreign portfolio investments*" and "*payment of loans received from foreign lenders*". With respect to approximately U.S.$3.1 million of such amounts, we have argued that the statute of limitations has expired. As for the remaining U.S.$1.0 million and €0.3 million of such amounts, we believe that we will successfully defend our position with respect to such infractions. On a separate proceeding initiated in November 2013, the BCRA is investigating the purchase of U.S.$0.4million in excess of the monthly cap of U.S.$2.0 million applicable in October 2008. Although we believe that the transactions in question were carried out in compliance with the applicable foreign exchange regulation at the time, we have provisioned €1.0 million and U.S.$0.4 million for potential contingencies.

Mexico

I. Monterrey and General Escobedo, Nuevo León.

a) Between February 27th and March 13 2013, the local authorities of the cities of Monterrey and General Escobedo, both in the State of Nuevo León, closed the following gaming venues:

1.- Gonzalitos, Monterrey operated by Operadora Cantabria, S.A. de C.V.
2.- Valle Oriente, Monterrey operated by Operadora Cantabria, S.A. de C.V.
3.- Jacales, Monterrey operated by Libros Foráneos, S.A. de C.V.
4.- Cumbres, Monterrey operated by Administradora Mexicana de Hipódromo, S.A. de C.V.
5.- Valle Oriente, Monterrey operated by Administradora Mexicana de Hipódromo, S.A. de C.V.
6.- Sendero, General Escobedo operated by Administradora Mexicana de Hipódromo, S.A. de C.V.

b) The authorities closed the gaming venues, based on the supposed lack of "use of land certificates" for Casino, in accordance with the current city ordinances of those municipalities, disregarding the fact that all of the gaming venues operate with the necessary permits and licenses required both by the Ministry of the Interior (Secretaría de Gobernación), and those required by the local authorities at the time the venues were first open to the public.

c) In such regards, the pertaining permit holders have filed "Amparo lawsuits", identified under Mexican laws, as challenge lawsuits, where certain governmental agency is challenged to prove its rightful application of the law in a particular case (habeas corpus), claiming the illegality of the foreclosures, as well as the allegation that the venues were opened to the public before the zoning catalog was amended and therefore the new catalog of activities should not be applied, as no law or regulation shall be retroactively applied.

d) The "Amparo lawsuits" filed by OCA Libros Foráneos S.A. de C.V. and Administradora Mexicana de Hipódromo S.A. de C.v. have resulted in first instance, negative for our interests, yet we are in term to appeal those resolutions. In regards to the resolution for Administradora Mexicana de Hipódromo S.A. de C.V. except for the case of gaming venue Sendero (where the Court has returned the file again to the local authorities so they can comply the legal proceeding and give a hearing to Administradora Mexicana de Hipódromo S.A. de C.V. which didn't take place during the administrative process.

e) Codere continues to deploy administrative legal and institutional actions to revert this situation.

II. Tuxtla Gutierrez, Chiapas.

On January 30, 2013, the gaming venue operated by Promojuegos de Mexico, S.A. de C.V., located in the city of Tuxtla Gutierrez, State of Chiapas, was closed by several State authorities, specifically by the Civil Protection Agency of the State and the State of Chiapas Prosecutor Agency, under the supposed accusation that the alcoholic beverages were altered. The accusation complaint is under litigation, and presently pending resolution.

Italy

AAMS Litigation

On October 12, 2011, the AAMS, which is empowered with the authority to tax gaming operations, issued a decree, which contained changes to the machine gaming taxes (PREU) in Italy. Pursuant to this decree, effective January 1, 2012, the PREU tax on VLTs in Italy increased from 2% of amounts wagered in 2011 to 4% in 2012 and will increase to 4.5% thereafter (this percentage was further increased to 5% in December 2012). In the case of the AWPs, the PREU tax decreased from 12.6% of amounts wagered in 2011 to 11.8% in 2012, but increased to 12.7% in 2013 and will further increase to 13% in 2015. The AAMS decree also introduced an additional tax of 6% (in addition to the PREU tax) to be paid on the portion of any winnings distributed by the VLTs in excess of €500. The AAMS indicated that it would issue another decree establishing from which date this additional tax needs to be paid. In addition, the AAMS decree established that the minimum percentage of winnings distributed by AWPs will decrease from the current 75% of amounts played to 74% of amounts played in 2013.

Codere Network and other concessionaires filed a petition before the TAR Lazio challenging the additional tax of 6% introduced by the AAMS decree of October 12, 2011. In January 2012, the TAR Lazio suspended the effects of the AAMS decree with regard to the additional tax of 6%. On March 2, 2012, the government issued a law decree establishing that the additional tax of 6% introduced by the AAMS decree of October 12, 2011 would become effective on September 1, 2012. However, because the TAR Lazio had suspended the effect from the AAMS degree and referred the case to the Constitutional Court to determine the constitutionality of such additional tax, the additional tax of 6% did not become effective. As a result of the referral to the Constitutional Court, the hearing on the merits of the case before the TAR Lazio, which was scheduled for April 4, 2012, was not held. The TAR Lazio informed the concessionaires that a new hearing will be scheduled promptly after the concessionaires file a new petition. We are currently awaiting the ruling of the Constitutional Court.

Codere Network is currently a party to various proceedings pursuant to which it is claiming an aggregate of €1.7 million (as of the date of this Report) from various gaming operators relating to unpaid network interconnection fees and gaming taxes which Codere Network collects on behalf of the AAMS. Codere Network interconnects the machines for such operators.

CdC Allegation

On May 29, 2007, the Italian *Corte dei Conti* (the "CdC"), the constitutional body charged with auditing the management and accounts of governmental departments, including the AAMS, claimed that the AAMS had failed to seek €3.0 billion in penalties from Codere Network for the alleged noncompliance with certain obligations, such as the terms for the activation and management of the AWP network and minimum levels of service (the "CdC Letter"). The CdC Letter was addressed to official representatives of the AAMS and to Codere Network as an AWP network concessionaire, which the CdC considered to be jointly responsible. The CdC Letter was also sent to nine other concessionaires, which had provided AWP network services in Italy and claimed an aggregate amount of €98.0 billion in penalties and fines, of which €3.0 billion was allegedly attributable to Codere Network. On June 26, 2007, the AAMS requested that Codere Network pay the penalties and fines per the CdC Letter (the "AAMS Letter").

Codere Network responded to the CdC Letter and the AAMS Letter, both directly and in coordination with the other affected concessionaires.

Codere Network challenged the AAMS Letter before the TAR Lazio. On April 1, 2008, Codere Network received notice that the TAR Lazio had annulled the AAMS Letter's request for payment, because the AAMS had not conducted a proper administrative process. Claims by the other nine affected concessionaires received similar judgments. In 2008, the AAMS sent additional demand letters to Codere Network claiming three separate penalties amounting to approximately €0.7 million related to the late launch, activation and management of the telecommunications network (the "three AAMS penalties"). Codere Network and the other concessionaires challenged the three AAMS penalties, in the first instance before the TAR Lazio (which rejected the appeal) and in the second instance before the Council of State. On May 20, 2011, the Council of State annulled the three AAMS penalties and exonerated the concessionaires from all charges. In July 2011, Sogei S.p.A., the technical partner of the AAMS, which had designed and managed the AWP network since 2004, intervened in the proceedings and challenged the judgment of the Council of State. As of the date of this Report, the Council of State has not responded to Sogei S.p.A's challenge.

On February 18, 2011, the AAMS claimed from Codere Network a further €2.7 million in penalties relating to Codere Network's alleged failure to provide minimum service levels, specifically with respect to interconnection issues (the "fourth AAMS penalty"). On June 9 and October 28, 2011, Codere Network and the other concessionaires challenged the fourth AAMS penalty before the AAMS. On February 29, 2012, Codere Network was notified that the AAMS had rejected the challenge and decided to impose the fourth penalty. On April 29, 2012, Codere Network and the other concessionaires challenged the fourth AAMS penalty in the first instance before the TAR Lazio. On May 23, 2012, the TAR Lazio suspended the effects of the fourth AAMS penalty and scheduled the date of the ruling on February 20, 2013. The trial was held and the ruling published on June, 17, 2013 declared the "forth penalty" null and void. On January 31st 2014, ADM filed an appeal before the Council of State against the TAR's ruling. The date of the trial hasn't been scheduled yet by the Council of State. With respect to the CdC Letter, Codere Network filed a defense motion before the CdC in 2007 claiming that the penalties were not owed, which motion was rejected by the CdC in March, 2008. An appeal before the Italian *Suprema de Cassazione* (Court of Cassation) initiated by Codere Network and the other affected concessionaires, seeking to clarify the calculation of penalties claimed in the CdC Letter and challenging the jurisdiction of the CdC, was rejected in December 2009.

In October 2010, at the request of Codere Network and the other concessionaires, the CdC commissioned Digit S.p.A., a technical consultancy company, to prepare a technical report on the causes for the late activation of the network and interconnection problems for which Codere Network and the other concessionaires were allegedly responsible. On October 10, 2011, Digit S.p.A. submitted the technical report, which disputed the alleged noncompliance by the concessionaires. On November 24, 2011, the trial on the merits of the penalties claimed in the CdC Letter was held before the CdC. On February 17, 2012, contrary to expectations, the Regional Section of the CdC ruled against all 10 AWP network concessionaires, including Codere Network. The ruling sentenced the concessionaires to pay a total of €2.5 billion, of which Codere Network is liable for €115 million plus interest.

Codere Network together with the other concessionaires appealed the ruling of the Regional Section of the CdC before the Central Section of the CdC, based on, among others, the following grounds. First, Codere Network maintains that the ruling failed to take into account the findings of the Digit S.p.A. technical report, which disputed the alleged noncompliance by the concessionaires. Codere Network believes that such findings support Codere Network's lack of responsibility for the late activation of the network and the interconnection problems.

Second, Codere Network believes that there is no evidence of loss of revenue for the state, which position is supported by the Digit S.p.A. technical report. As such, Codere Network highlights the CdC's finding that the loss sustained is incalculable, and therefore maintains that the calculations of respective penalties have been undertaken without a justifiable or well-founded basis. Third, Codere Network alleges that the amounts claimed relate to operations undertaken since inception of the network in September 2004 to 2007. As Codere Network only succeeded Rete Franco, S.p.A. as concessionaire in April 2006, Codere Network believes that any liability relating to operations before April 2006 should be borne by Rete Franco, S.p.A. In addition, Codere Network fails to understand how Sogei S.p.A. was absolved from any responsibility for the late activation of the network and the interconnection problems. If any such responsibility were to be attributed to the concessionaires, Sogei S.p.A. should be held responsible as well, thereby reducing the relative fault and corresponding penalties of the concessionaires.

This appeal by Codere Network and the other concessionaires was notified on May 12, 2012 and suspends *ex lege* the execution of the ruling of the Regional Section of the CdC from February 17, 2012 until the appeal is resolved. Codere, S.A. has provided a guarantee of Codere Network's performance in favor of the AAMS in the amount of €16 million, of which €12.4 million is provisioned.

On November 11th, 2013 the Italian Court of Auditors (Corte dei Conti) offered all network concessionaries the possibility to settle their longstanding dispute, by paying 30% of the amount of the claim, plus legal interests. In the case of Codere Network such settlement would be €34.5 million (30% of the total €115 million), plus legal interests. Six of the ten concessionaires agreed and paid 30% of their respective claims. On January 31st, 2014 the hearing was held before the CdC and other two concessionaries (HBG Connex and Bplus) have asked for settlement, and Blus has presented additional appeals. The Corte dei Conti offered them a 30% settlement and rejected the BPlus additional appeals. In the end, none of them paid within the term set by the Court, so both continue in the legal process together with Codere Network and Gmatica. The trial will be held on July, 9th 2014 and Codere Network and the other concessionaires have the option to ask for settlement of 30% of the claim before that date, or to continue the legal process. To address potential contingencies related to these processes, the Group has a provision of €12.4 million.

In April 2014, the Corte di Conti ordered, as preventive measure, the seizure of the deposit made by the concessionaries that have not asked for settlement for 2013 (0.5% of the 2013 bet: for Codere Network €9,777,987; for Gmatica €13,371,884.27; for HBG Connex €20,392,058.74 and for BPlus Giocolegale €29,538,839.79). This seizure has been appealed and it is pending its resolution.

Request for "resa del conto"

In January 2009, the CdC requested that Codere Network file a document called "resa del conto", a form of balance sheet stating for each fiscal year the sums collected from the slot machines through the gaming operators and the sums paid to the government. The "resa del conto" is generally collected from entities that have been entitled by the government to collect taxes due by third parties. While Codere Network is not an entity entitled by the government to collect taxes due by third parties, it is an entity that is obliged to pay AAMS PREU payments. On May 11, 2009, Codere Network and the other concessionaires who received the request to submit the "resa del conto" filed motions with the CdC, contesting the designation of Codere Network as "accounting agent" and thus challenging the requirement to submit the "resa del conto". On April 23, 2010, the CdC sued Codere Network to seek the payment of a penalty of €55.3 million (corresponding to 2004 and 2005) and €34.5 million (corresponding to 2006) relating to the failure to submit the "resa del conto" and the designation of Codere Network as "accounting agent". In addition, the CdC reserved the right to calculate and seek penalties relating to the failure to submit the "resa del conto" and the designation of Codere Network as "accounting agent" corresponding to subsequent years.

Codere Network has taken part in the legal proceeding and challenged the penalties, contesting its designation as "accounting agent" and the corresponding obligation to submit the "resa del conto". On November 5, 2010, the CdC held that the prosecutor's request for the "resa del conto" was invalid and upheld Codere Network's challenges. On March 10, 2011, the prosecutor submitted an appeal against such decision. The prosecutor's appeal was examined by the CdC during a trial held on March 20, 2013. After the trial Codere Network which had been absolved in the first instance, was condemned in second instance to the payment of 5.000€.

Spain

Garaipen Victoria Apustuak S.L. and two other companies were awarded three sports betting licenses in 2007 by the Basque Government for the Basque Country. Four competitors that did not obtain licenses appealed the decision before the Superior Court of Justice of the Basque Country. Garaipen Victoria Apustuak S.L. and the two other licensees submitted their arguments against the four competitors' claims. The Superior Court of Justice of the Basque Country issued three judgments rejecting three of the four appeals. However, the Superior Court of Justice of the Basque Country also issued a judgment upholding one of the four appeals, and ordered the Basque Government for the Basque Country to reconsider one of the criteria used in determining which companies were awarded the sports betting licenses. Garaipen Victoria Apustuak S.L. and the two other licensees, together with the Basque Government for the Basque Country, have appealed this decision before the Supreme Court and sought confirmation from the Supreme Court that the three sports betting licenses were validly granted. On June, 10th 2013 the Supreme Court issued a judgment confirming that two of the three sports betting licenses (Garaipen's license and another's operator license) were validly granted, and declared void the third license granted by the Basque Government to other operator. This litigation has finalized with no consequences for Garaipen.

Panama

Pardini & Asociados, a civil association organized under the laws of Panama, filed a lawsuit of U.S. $150,000 against Thunderbird in the Thirteenth Circuit Civil Court and U.S.$5.0 million in the Eleventh Circuit Civil Court. These lawsuits were initiated in 2011 and the claims relate to payment of fees in the form of a bonus (the "Success Fees") pursuant to a letter agreement between Juan Raúl de la Guardia and Thunderbird dated August 8, 1997 (the "Letter Agreement"). Juan Raúl de la Guardia is requested to join the procedure as a third party.

Thunderbird has filed a separate lawsuit in which it seeks a statement that Pardini & Asociados is not a party to the Letter Agreement. The lawsuit asks that Pardini & Asociados pay Thunderbird U.S.$2.0 million in respect of damages for recklessness and bad faith, and also pay costs, expenses and interest earned on account of the process.

On May 16, 2011, Pardini & Asociados was granted an injunction of U.S. $2.2 million against bank accounts, properties and money owned by Thunderbird. In June 2011, Thunderbird appealed the injunction and provided a bond to lift the injunction. The Court permitted the appeal in favor of Thunderbird and has sent the case to the First Superior Court for resolution. The parties presented evidence and are waiting to be admitted by the Court. We believe that Thunderbird will be successful in its appeal of the injunction.

In 2012, the case initiated before the Thirteenth Circuit Civil Court and the case initiated before the Eleventh Circuit Civil Court were joined in the Thirteenth Circuit Civil Court and the judicial process started from the beginning. Pardini & Associates requested the court to include as defendants Thunderbird, Juan Raul de la Guardia and another company in the Thunderbird Resort Inc Group. On May 14th 2013 Thunderbird answered the complaint and filed a counterclaim against Pardini & Asociados. On December, 30th 2013 Pardini & Asociados answered the counterclaim.

Recently we reached an agreement with Pardini & Asociados, and have submitted the dismissal request of all processes and claims to the Court. We are waiting for the Court resolution according the dismissal agreed and the lift of the injunction.

Uruguay

On July 28, 2010, Dongara Investment Inc. requested the annulment of the concession of the Carrasco Hotel and Casino project awarded to the Carrasco Nobile S.A. consortium. Dongara Investment was the runner-up in the concession process. In addition, the plaintiff requested a preliminary injunction to cease the remodeling of the Carrasco Hotel and Casino's building.

Notwithstanding that the petitions were filed against the Municipal Government of Montevideo, which granted the concession, Carrasco Nobile S.A. voluntarily intervened in these proceedings to contribute evidence and facts supporting the conclusion that the concession process complied with applicable laws and regulations.

Since March 7th 2013, the Carrasco Hotel and Casino is opened and operating; therefore the preliminary injunction has lost all effect, therefore we expect no adverse consequences in this regard. With regards to the principal annulment claim placed by Dongara Investments Inc. we expect the administrative court will dismiss the demand.

Real Property

Our principal executive offices are located at Avenida de Bruselas 26, Alcobendas, Spain.

The majority of our offices and gaming facilities are leased and the leases generally run for at least as long as the relevant gaming license in the relevant jurisdiction.

PRINCIPAL SHAREHOLDERS

Principal Shareholders

As of December 31, 2013, the authorized share capital of Codere, S.A. was €11,007,294, consisting of 55,036,470 fully paid-up ordinary shares, forming part of the same series, each with a par value of €0.20. The following table sets forth information regarding the beneficial ownership of Codere, S.A. shares as of December 31, 2013. No Company shares were sold by senior managers on the market in 2013 or 2012

	As of December 31, 2013	
Owner	**Number of shares beneficially owned**	**Percent**
Masampe Holding B.V.[(1)]	28,259,088	*51.3%*
José Antonio Martínez Sampedro[(2)]	6,838,261	*12.4%*
Luis Javier Martínez Sampedro[(3)]	1,396,035	*2.5%*
Encarnación Martínez Sampedro[(4)]	1,202,000	*2.2%*
Other board members	349,456	*0.6%*
Other members of management	396,337	*0.7%*
Public float	16,595,293	*30.2%*
Total	55,036,470	*100.0%*

(1) The controlling shareholder of Masampe Holding B.V., a Dutch special purpose vehicle, is José Antonio Martínez Sampedro, holding, indirectly, 75% of the shares. The remaining shares are held, indirectly, by Luis Javier Martínez Sampedro and Encarnación Martínez Sampedro.

(2) José Antonio Martínez Sampedro is the Chairman of our Board of Directors, our Chief Executive Officer, and the brother of Luis Javier Martínez Sampedro and Encarnación Martínez Sampedro, both of whom are members of our Board of Directors.

(3) Luis Javier Martínez Sampedro is the Executive Director of Codere America and a member of our Board of Directors.

(4) Encarnación Martínez Sampedro is the Executive Director of Codere and a member of our Board of Directors.

SPV Financings

In 2006 and 2007, Masampe Holding B.V., a Dutch special purpose vehicle (the "SPV") that is controlled by Jose Antonio Martínez Sampedro, entered into financing transactions with Credit Suisse, London Branch, under which the SPV financed (i) its acquisition and the acquisition by the Martínez Sampedro family of approximately 22.3 million Codere, S.A. shares from Jesús Franco, Joaquín Franco, ICIL and certain other shareholders, and (ii) the subscription price for 6 million Codere, S.A. shares. Under the 2007 financing transaction, the SPV borrowed €340 million from Credit Suisse, London Branch, on June 15, 2007 ("PIK Term Loan Facility") to repay amounts outstanding under the 2006 financing transaction and to make an installment payment to the Francos and ICIL arising out of the acquisition of Codere, S.A. shares from those parties.

The SPV's activities are limited to the holding of Codere, S.A. shares and certain other limited actions required or permitted under the PIK Term Loan Facility. Although Codere, S.A. is not a party to the PIK Term Loan Facility and has no financial obligations to the SPV, certain events relating to Codere, S.A., including a change of control of Codere, S.A., would require the SPV to repay any amounts outstanding under such financing. In addition, the PIK Term Loan Facility effectively limits our ability to incur debt, as it requires, subject to several important exceptions including, but not limited to, the incurrence of up to €200.0 million of debt under credit facilities, the Martínez Sampedro family to cause the Codere Group to maintain a ratio of net debt to consolidated cash flow of less than 6.5:1 pro forma for the incurrence of such additional debt.

As of December 31, 2013, the outstanding principal amount under the PIK Term Loan Facility was €624.1 million. Amounts outstanding under the PIK Term Loan Facility accrue interest at a rate per annum equal to EURIBOR for debt with a 3-month maturity plus 750 basis points. The maturity date of the PIK Term Loan Facility is December 15, 2015.